

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OCTOBER 1, 2011 - SEPTEMBER 30, 2012



300 W WALKER • LEAGUE CITY, TX 77573 • 281-554-100

WWW.LEAGUECITY.COM

*COMPREHENSIVE
ANNUAL FINANCIAL REPORT*

of the

CITY OF LEAGUE CITY, TEXAS

For the Year Ended
September 30, 2012

Prepared by
Finance Department

Rebecca Underhill
Director of Finance

Lonna Stein
Controller

Quencelia Goins
Accounting Manager

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CITY OF LEAGUE CITY, TEXAS

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CITY OF LEAGUE CITY, TEXAS

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INTRODUCTORY SECTION



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March 1, 2013

Honorable Mayor and
Members of the City Council
and the Citizens of the City of League City

The Comprehensive Annual Financial Report (CAFR) of the City of League City, Texas (the "City") for the fiscal year ended September 30, 2012, is hereby submitted. Responsibility for both the accuracy of the data and the completeness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principals (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Belt Harris Pechacek, LLLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2012 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an

unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2012, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of League City is located 25 miles south of downtown Houston, Texas in northern Galveston County and the southern most part of Harris County. The City has a population of approximately 87,400 and encompasses an area of 53 square miles. The City adopted a "Home Rule Charter" on March 27, 1962. That charter provided for the "Mayor-Council" form of government as referenced in Vernon's Annotated Civil Statutes, Art. 1164 et.seq. In May 2010, the voters of League City elected to change to a Council-Manager form of government. This important decision signaled the beginning of a new era of government centered upon responsibility and performance.

The City provides a full range of services. These services include police, fire, emergency medical services, animal control and municipal court facilities; the construction and maintenance of streets, water, wastewater, drainage systems and other infrastructure; recreational parks, swimming pool and athletic fields; a public library and other facilities used for various cultural and civic activities. The City's water and wastewater system serves all residential and commercial locations within its limits including 13 municipal utility districts within the City's territorial limits. The City utilizes the services of a contractor in order to provide solid waste collection services and recycling.

The following entities have met the requirements for component units and have appropriately been included within the financial statements:

City of League City 4B Industrial Development Corporation
City of League City Tax Increment Financing Zone No. Two
City of League City Tax Increment Financing Zone No. Three
City of League City Tax Increment Financing Zone No. Four
City of League City Public Improvement District No. One - Magnolia Creek
City of League City Public Improvement District No. Two - Victory Lakes
City of League City Public Improvement District No. Three - Centerpointe
City of League City Public Improvement District No. Five - Park on Clear Creek
League City Volunteer Fire Department

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse, and that adequate accounting data is compiled to allow for the preparation of financial

statements in conformity with generally accepted accounting principles. The City feels its internal control structure provides reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management.

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund, Debt Service Fund, and certain individual Special Revenue Funds are included in the annual appropriated budget. The level of budgetary control is at the department level in each fund as provided in the City Charter.

Economic Condition and Outlook

The economic condition and outlook for League City is positive. Given the attractiveness of the region, the fact that nearly half of the City remains available for new development, and the responsible approach to growth adopted by City leadership, the prospect of additional, steady and healthy growth is highly likely. The 2010 Census placed League City's population at 83,560 persons, an 84% increase over the 45,444 persons residing in the community in 2000. A population growth of approximately two percent per year has continued since the 2010 Census was taken. As a result of the extensive growth of the last decade, League City has become the largest city in Galveston County, transforming it from a small town into a bustling bedroom community. More recent growth in the commercial sector, particularly at the intersection of Interstate 45 and FM 646, has provided diversification in the local economy.

The community continued to see positive growth trends during the recent severe downturn in the national economy that signal a healthy, maturing economy. League City's assessed value growth has continued, with new home construction growth increasing between two percent and three percent annually. The City currently enjoys a 5.9% unemployment rate, which is slightly lower than the unemployment rate of roughly 7.7% throughout the Gulf Coast workforce area.

The City of League City suggests a focus on the "recreational lifestyle" identity for which the City is becoming known. More than simply celebrating the family oriented quality of life atmosphere, outstanding neighborhoods, superior schools, parks, trails and waterfront as great qualities in a place to live, the "recreational lifestyle" brand proposes increased emphasis on these attributes in a place to work and shop. The recently adopted Main Street Implementation Plan proposes construction of catalyst projects within the historic core of League City, intended to transform the area into a regional destination. At the same time, League City is coordinating with developers in creation of an "Entertainment District" along Interstate 45, that will provide an enhanced shopping experience and take full advantage of the region's substantial buying power.

City leadership has presented an Economic Development Strategic Plan that builds upon the results of the branding study and provides focus to League City's continuing growth. The Plan highlights the major assets and strengths of the community, including:

- Location that is nearly equidistant between Houston and Galveston, with access to major regional employment centers and amenities.
- Very strong relationships with the energy, aerospace, medical and tourism industries that make League City the place to live for doctors, engineers, astronauts, and other high skill, high wage workers and their families, as well as a growing number of retirees.
- A growing presence in the medical industry led by the University of Texas Medical Branch (UTMB) in completion of a 110,000 square foot specialty care and ambulatory surgical center on a 64 acre tract in the Victory Lakes Business Park. UTMB is currently breaking ground on a \$90 million building expansion project on the Victory Lakes campus. This expansion project will create 142,000 square feet of clinical space, allowing for the addition of 39 patient beds and inpatient stays of up to 72 hours. UTMB and other medical institutions occupy additional service and office space throughout the community. Two nearby hospitals offer Life Flight capability and represent over 40 medical specialties and associated services.
- Direct proximity to the aerospace industry, including Johnson Space Center, and the petrochemical industry. Although the refineries, plants and major office centers are outside of League City, the City is attractive to small firms that are related to the industries but have a desire to be located in a more attractive and idealistic setting.
- The longest continuous waterfront of any mainland community in Galveston County. League City is already home to the third largest concentration of pleasure boats in the United States and includes a growing number of private marinas. League City is building upon the relationship with the waterfront through construction of a 6.5 mile paddle trail along Clear Creek with three initial paddle stations at key locations throughout the community.
- A cultural "heart" of the community that includes two museums, 14 parks, access to Clear Creek, and a growing cluster of unique shops and dining establishments.
- Continuing expansion of national brand commercial activity at the intersection of Interstate 45 and FM 646. In addition to major retailers such as JC Penney's, Kohl's, WalMart, Best Buy, Super Target, Home Depot and Lowe's Home Improvement, the area includes a growing number of restaurants such as Spring Creek Barbeque, Five Guys, Freebirds, Jimmy Changas, and New York Pizzeria, as well as two nationally recognized hotels.
- An education system that is highly attractive to families. Clear Creek Independent School District is the largest school district in the State of Texas to receive the Texas Education Agency "Recognized Rating." The region is also home to the University of Houston-Clear Lake, located just three miles from the City, as well as College of the Mainland, a junior college with a north campus located within the City limits.
- Additional unique amenities with the ability to draw tourists to the community, including the \$19 million Big League Dreams Sports Park located along Interstate 45 in direct proximity to the shopping opportunities at FM 646, and South Shore Harbour marina.

The Economic Development Strategic Plan notes that the future is particularly bright for:

- Transformation of important areas into marketable "districts," with infrastructure improvements, incentives and development of "catalyst projects" to transform commercial and cultural areas into destinations.
- Growth in office space as current office space nears full occupancy. The area has shown particular attractiveness for small architectural, engineering, and medical services firms that locate within close proximity to employees.
- Startups of small businesses because of League City's history of entrepreneurship.
- Tourism because of a focus on creation of destinations and districts that make League City particularly attractive as a tourist stop.

Long Term Planning

Organizational Values

City Council has adopted a set of organizational values to facilitate long term planning goals. These values are being used to develop a list of goals that will be instrumental in the implementation of Performance Measurement Budgeting.

Promote Trust and Accountability: The City of League City is committed to public accountability through transparency, effective communication and active citizen involvement. Organizational activities will promote full disclosure and open, honest communication with the community, public officials and employees.

Plan Responsively and Act Decisively: The City of League City recognizes that a sustainable future requires actions based upon sound planning. Planning must ensure demand-driven resource acquisition, continuous strengthening of available resources and the effective and efficient implementation of adopted plans.

Maintain "World Class" Customer Service: The City of League City is committed to maintaining both a governing body and professional staff that recognizes, anticipates, and actively responds to the needs of its citizens. This requires a progressive and dynamic organizational culture that delivers "world class" customer service, is results oriented and incorporates innovation and technology to foster the most prudent use of public resources.

Promote a "Healthy" Community: The City of League City is focused on a future of physical and fiscal health and wellness that strives for balance and diversity in being an exceptional place to live, work, play, shop and gather. In doing so, the City will take a responsible, strategic approach to growth, economic development, infrastructure and major investments.

Performance Management

Building on the organizational values, the City Manager is leading an effort to institutionalize performance measurement and budgeting. Every City department is developing measures that reflect demand for their services, the way they address that demand, and the resulting impact their efforts have on the community.

The City is currently participating in International City/County Management Association's (ICMA) Center for Performance Measurement Program, enlisting ICMA's expert assistance in on-site performance measurement training for City staff. In addition, the City is planning to participate in the Program's data collection efforts aimed at providing benchmark data for a group of critical City services, including code enforcement, public safety services, information technology, library and parks.

Financial Planning:

The City of League City completed a financial planning cycle that provides a baseline for the future. The Long Range Financial Forecast (LRFF) for FY 2013-2017 was published in May 2012. The LRFF included revenue and expenditure projections for the City's three major funds, including the General, Utility, and Debt Service funds. Statistical modeling techniques were used to develop leading indicators for the City's major revenues. These leading indicators – total League City water customers, new homes construction, and value of new construction – provide the means to explain past revenue performance and help in projecting future revenues.

The LRFF included debt capacity models for tax-supported and revenue-supported debt, indicating the City's capacity to issue new debt over the next several years for needed improvements. The results of this capacity modeling provided the basis for the Capital Improvement Plan (CIP) for FY 2013-2017 released in September 2012. As in previous years, the CIP included priority projects that support the City goals. However, the FY 2013-2017 CIP also included a complete financing plan that considered all existing and projected capital funds as well as proceeds from new bond sales that could be afforded within the debt capacity as determined and identified in the LRFF.

The City's FY 2013 Budget was developed and built upon the same assumptions used in the LRFF and CIP. For the second year, the Budget included performance information as part of its implementation of a performance management system. The Budget also included a reduction in the property tax rate from \$0.61 to \$0.597 per \$100 of taxable value, a 1.3 cent reduction from last year. This reduction, combined with the .6 cent reduction from the prior year, reduces the overall property tax rate by 1.9 cents per \$100 of taxable value.

During FY 2012, periodic reports were presented to the Mayor and City Council that included year-to-date and projected year-end results for revenue, expenditures, and performance, as well as the current status of capital projects included in the FY 2012 Capital Budget. The monitoring reports continue in FY 2013.

Financial Management Policies:

As a part of the annual budget process, the City of League City adopts Financial Management Policy Statements that establish a framework for fiscal decision making and that ensure that financial resources are available to meet the present and future needs of its citizens. These statements provide guidelines for financial planning and management, addressing every major financial function and process.

Most importantly, the Financial Management Policy requires that the City maintain reserve balances at 90 to 120 days working capital to protect the City's credit worthiness, as well as its financial position in the event of a disaster. As of September 30, 2012, the General and Utility Funds met and exceeded this goal. Additionally, the Utility Fund maintained net assets sufficient to meet bond covenant requirements for debt coverage, working capital as previously described and excess reserves sufficient to provide funds for projects and upgrades to technology.

City leadership expects to maintain this program of continuous improvement, combining responsive management, planning and goal setting that is appropriate for League City's size and growth rate. The values adopted by the Mayor and City Council will guide these efforts and provide a focus in keeping with the hopes and desires of League City's citizens.

Major Initiatives

For the Year:

Improving and expanding the City's infrastructure continues to be a primary focus, with major planning underway to coordinate and focus the City's efforts to manage growth. In FY 2012, the City completed the update of its major plans affecting infrastructure, including the Comprehensive Plan, Master Mobility Plan, Water Master Plan, and Wastewater Master Plan. The update of the Drainage Master Plan is still ongoing. Also, the City adopted its third fully financed Capital Improvements Plan (CIP) for FY 2013-2017, including only fully funded projects in the five year CIP.

During the year, construction on the Southwest Water Reclamation Facility (SWWRF) was completed. In keeping with the Wastewater Master Plan, the design phase of several wastewater projects has continued, so that flows from the existing Countryside Wastewater Treatment Plant (CWTP) could be redirected to the SWWRF. Ultimately, the CWTP will be disconnected from the system and demolished.

Transportation improvements continue to be a priority in League City. The City evaluated its previous plans for the Five Corners intersection and identified a lower cost alternative. This intersection carries a large volume of traffic and is prone to congestion because the intersection marks the nexus of three highways: FM 2094, FM 518 and FM 270. Texas Department of Transportation (TXDOT) has approved the more efficient alternative, and the design phase is in progress. Construction will commence when the design phase is complete and state approval is secured.

Last year, the City assumed responsibility for its street signal system from TXDOT. After an initial assessment of the traffic system, the City identified several projects to improve traffic signal operations in an effort to move traffic more freely throughout the City. Completed projects for FY 2012 include re-timing of multiple highly traveled corridors and the purchase of improved traffic signal equipment. The Adaptive Traffic Signal System project for the Five Corners intersection is still in progress.

In a continued effort to improve drainage in the City, the design phase of the Robinson Bayou Stabilization project was initiated, with the construction phase to begin in early FY 2013.

Annual stormwater improvement continued with drainage improvements made to the Interurban Ditch, Newport Ditch, Bradshaw Road Ditch and Nottingham Ditch.

In FY 2012, the City began the design phase of several major street improvement projects. The Texas Avenue Street project was initiated to convert an open ditch rural roadway to a concrete-curb and gutter enclosed storm sewer roadway. The City is also participating in a joint project with Galveston County to convert Calder Road to a divided four lane concrete roadway with enclosed storm sewer.

Construction of the Eastern Regional Park, including soccer fields and a recreation center, was completed in FY 2012. The 4B Corporation entered into an interlocal agreement with the City to set aside a portion of 4B sales tax revenue to provide funding for maintenance and operation costs for the Eastern Regional Park and to cover debt service for bonds sold to finance the construction of the park.

For the Future:

Infrastructure development remains priority one in the City's plans to meet the increased demand for service spurred by continued growth of the City. The financial planning process begun in FY 2010 is an annual exercise, with updates to the Long Range Financial Forecast and Capital Improvement Plan (CIP) providing the basis for the annual City budget. The major focus for the next several years in infrastructure planning will be addressing the City's long-term water supply needs. Transportation and public safety will remain high priorities, and the City will strive to identify specific improvements that anticipate and serve additional growth in the City.

Most importantly, planning will include projects that take maximum advantage of water supply, distributing it to population centers, and maintaining pressure levels. As indicated in the FY 2013 Long Range Financial Forecast, the City is pursuing a three-pronged approach to addressing the fact that the existing water supplies are not sufficient to accommodate full growth to build out. Water conservation, water re-use, and securing of additional supply through diversified sources are all options over the long term. The FY 2013-2017 Capital Improvement Plan includes projects to secure additional water rights, drill new water wells, and extend water lines to access five million gallons of water a day to which the City has rights but is currently not utilizing.

The City also is moving forward with the construction of a new public safety building for the primary use of its police department, emergency management, municipal courts, and jail. This project is anticipated to be completed in Spring 2014. Future public safety improvements also include the arrival of a replacement pumper truck, a 100 foot aerial ladder truck for the west side of the City, and renovation of Fire Station No. 2 to include Emergency Medical Services staff.

Performance management is also a major focus for the future, with every department now required to provide quantitative and qualitative information that sharpen the focus on services and cost. As this effort proceeds, the current set of performance measures is expected to evolve as the organization develops enhanced capacity to identify community needs and

develop appropriate service delivery mechanisms. Staff also recently supported Council efforts to develop a set of strategic goals that will link organizational values and departments annual operational goals. The strategic goals are to be accompanied by a set of Council-approved key performance measures and possibly targets as well. These are to be reflected in future budgets and are to be used by Council to monitor progress in key focus areas.

As an outgrowth of the need to improve performance, technology will assume a more visible role in the City's service provision efforts. A new Technology Capital Project Fund has been established in FY 2012 as a source of dedicated funding for major systems to be implemented over the next few fiscal years. A new Citywide financial and performance management system, expanded access to GIS data, improved document imaging capabilities and compliance with Microsoft licensing requirements are all to be addressed through the new technology fund.

Awards

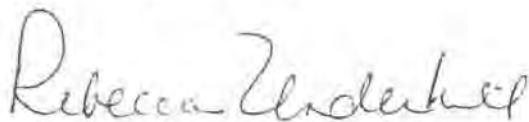
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of League City, Texas for its CAFR for the fiscal year ended September 30, 2011. This is the 28th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

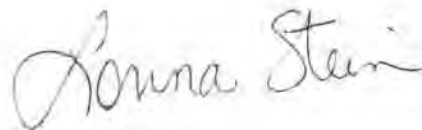
Acknowledgements

The preparation of the CAFR on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. We would like to express our appreciation for their efforts. We also appreciate the support of the City Manager and administrative staff. In addition, we thank the Mayor and members of the City Council for the responsible decisions they have made in the interest of preserving the financial integrity of the City of League City, Texas.

Respectfully submitted,



Rebecca Underhill, CPA
Director of Finance



Lonna Stein
Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to
City of League City
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Moynell

President

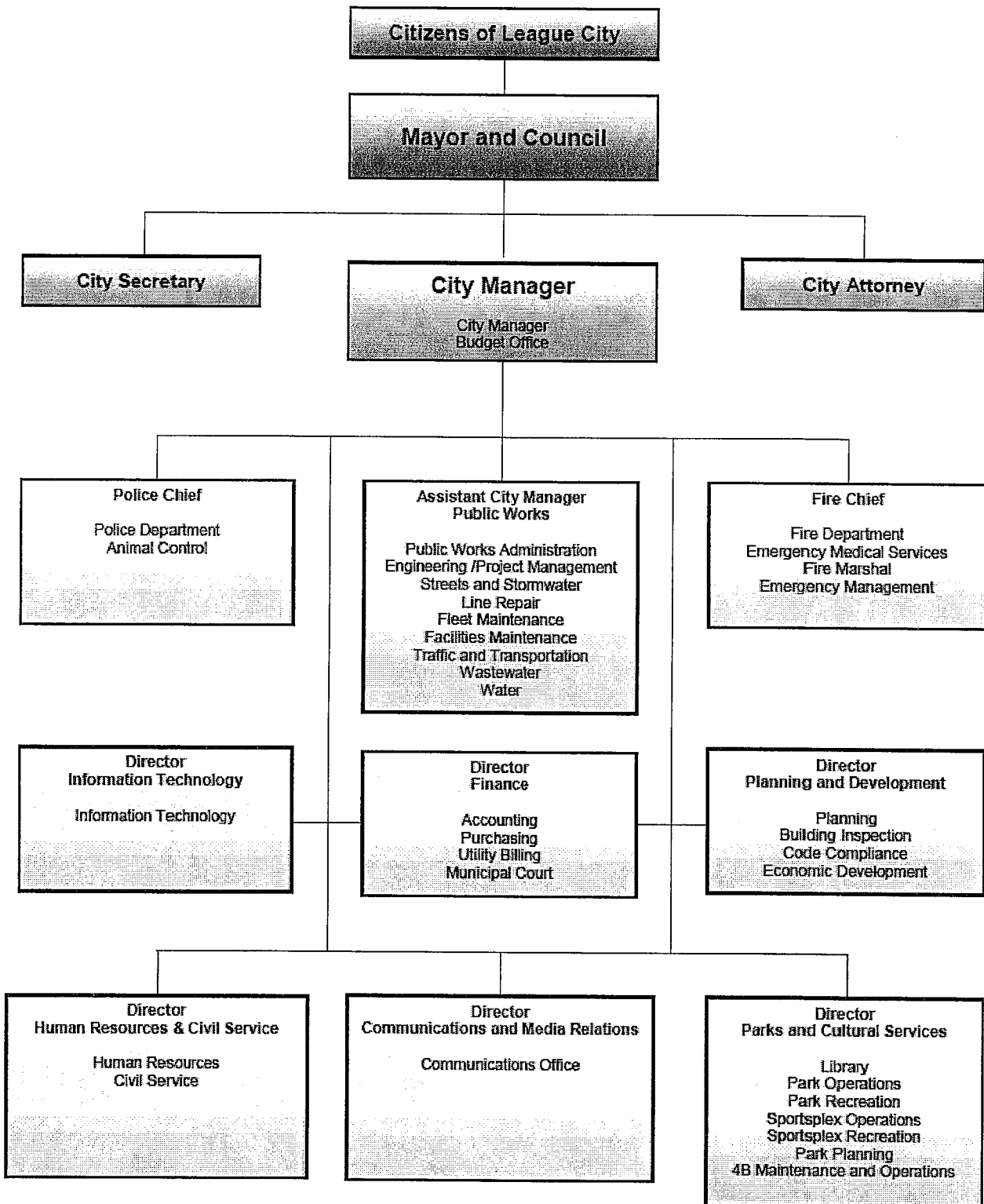
Jeffrey R. Enos

Executive Director

CITY OF LEAGUE CITY, TEXAS

ORGANIZATIONAL CHART

September 30, 2012



CITY OF LEAGUE CITY, TEXAS
LIST OF ELECTED AND APPOINTED OFFICIALS
September 30, 2012

Elected Officials	Position
Tim Paulissen	Mayor
Dan Becker	Council Member
Dennis OKeeffe	Council Member
Heidi Thiess	Council Member
Todd Kinsey	Council Member
Geri Bentley	Council Member
Andy Mann	Mayor Pro Tem
Joanna Sharp Dawson	Council Member
Appointed Officials	Position
Michael W. Loftin	City Manager
John Baumgartner	Assistant City Manager
Diana Stapp	City Secretary
Rebecca Underhill	Director of Finance
Tony Allender	Director of Planning and Research
Chen Wei	Director of Parks and Cultural Services
Iisha Patterson	Director of Human Resources & Civil Service
Ryan Smith	Director of Information Technology
Kristi Wyatt	Director of Communications & Media Relations
David Benson	Chief of Staff
Michael Kramm	Chief of Police
Brad Goudie	Fire Chief

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
City Council Members of the
City of League City, Texas:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of League City, Texas (the "City"), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Governmental
Audit Quality Center

The Management's Discussion and Analysis, budgetary comparison information, and schedules of funding progress, identified as Required Supplementary Information on the table of contents, are not required parts of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining statements and schedules, and statistical section are presented for purposes of additional analysis and are not required parts of the financial statements. The combining fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
January 25, 2013

***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

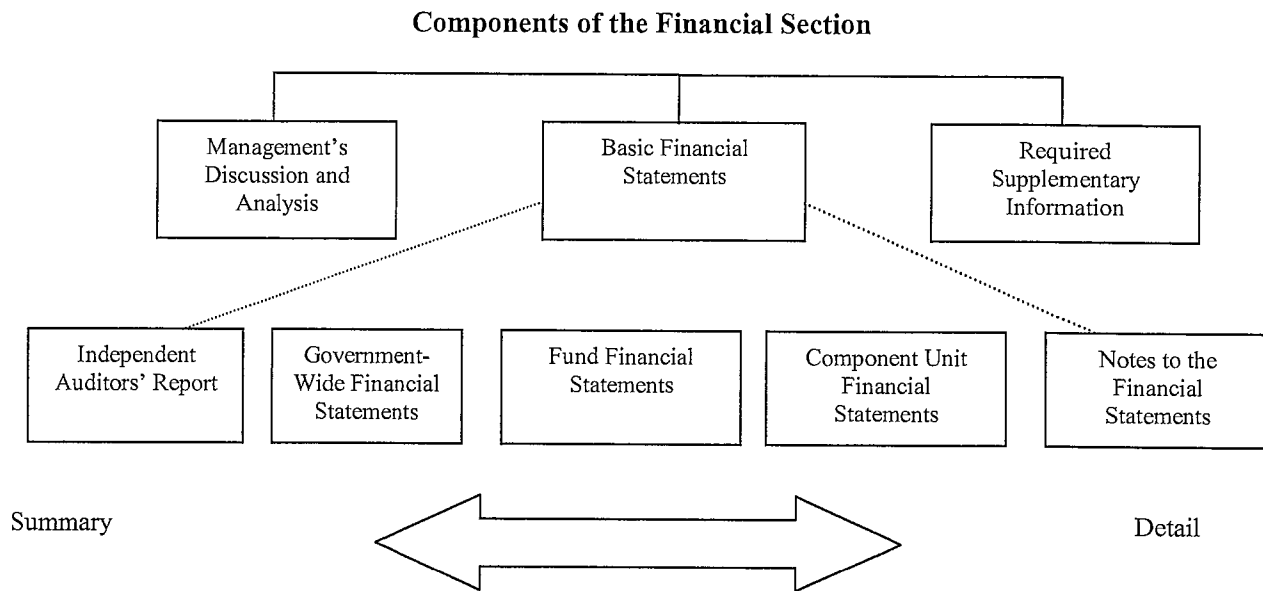
CITY OF LEAGUE CITY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2012

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of League City, Texas (the "City") for the year ending September 30, 2012. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

CITY OF LEAGUE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2012

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City's financials into two classes of activities:

1. *Governmental Activities* – The City's tax-supported services are reported here including police and fire protection (public safety), streets, drainage (public works), community services, and general administrative services (general government). Interest payments on the City's tax-supported debt are also reported here. Property tax, sales tax, franchise taxes, municipal court fines, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water and wastewater services, as well as interest payments on debt issued for water and wastewater improvements.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation and a legally separate volunteer fire department for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The tax increment reinvestment zones and public improvement districts, although also legally separate, function for all practical purposes as a department of the City and, therefore, have been included as an integral part of the primary government.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The three categories of City funds are governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

CITY OF LEAGUE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2012

The City maintains 39 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and certificates of obligation 2012 fund, which are considered to be major funds for reporting purposes.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds

The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water distribution and wastewater collection/treatment operations. The proprietary fund financial statements provide separate information for the water distribution and wastewater collection/treatment operations. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

The City also uses an internal service fund to account for its motor pool services. This internal service fund has been included within governmental activities in the government-wide financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City maintains one fiduciary fund, the insurance trust fund. The City's fiduciary activities are reported in separate statements of changes in fiduciary net assets.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI that GASB Statement No. 34 requires includes budgetary comparison schedules for the general fund and schedules of funding progress for the Texas Municipal Retirement System and other post employment benefits for healthcare. RSI can be found after the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets exceed liabilities and deferred inflows of resources by \$333,313,636 as of September 30, 2012 for the primary government. This compares with \$331,189,361 from the prior fiscal year. The largest portion of the City's net position, 82 percent, reflects its investments in capital assets (e.g., land, buildings and improvements, equipment, construction in progress, and infrastructure), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future

CITY OF LEAGUE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2012

spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 96,869,977	\$ 84,985,809	\$ 121,132,806	\$ 87,797,830	\$ 218,002,783	\$ 172,783,639
Capital assets, net	217,428,959	203,189,094	201,250,288	181,363,881	418,679,247	384,552,975
Total Assets	314,298,936	288,174,903	322,383,094	269,161,711	636,682,030	557,336,614
Long-term liabilities	134,169,372	102,065,894	157,737,280	108,069,072	291,906,652	210,134,966
Other liabilities	5,325,506	7,665,353	5,664,874	7,888,757	10,990,380	15,554,110
Total Liabilities	139,494,878	109,731,247	163,402,154	115,957,829	302,897,032	225,689,076
Unearned revenue	471,362	458,177	-	-	471,362	458,177
Total Deferred Inflows of Resources	471,362	458,177	-	-	471,362	458,177
Net Position:						
Net investment in capital assets	144,981,676	146,115,632	129,683,003	107,392,808	274,664,679	253,508,440
Restricted	9,997,109	11,179,254	5,767,327	6,907,413	15,764,436	18,086,667
Unrestricted	19,353,911	20,690,593	23,530,610	38,903,661	42,884,521	59,594,254
Total Net Position	\$ 174,332,696	\$ 177,985,479	\$ 158,980,940	\$ 153,203,882	\$ 333,313,636	\$ 331,189,361

A portion of the primary government's net position, \$15,764,436 or 5 percent represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$42,884,521 or 13 percent, may be used to meet the City's ongoing obligation to citizens and creditors.

The City's total net position increased by \$2,124,275 during the current fiscal year. This included a decrease of \$3,652,783 in the governmental activities, which primarily was a result of a decrease in grant revenues and contributions from developers, along with an increase of expenses for the public works function. The increase in business-type activities of \$5,777,058 is primarily a result of operating revenues received for charges for services being greater than related expenses.

CITY OF LEAGUE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2012

Statement of Activities:

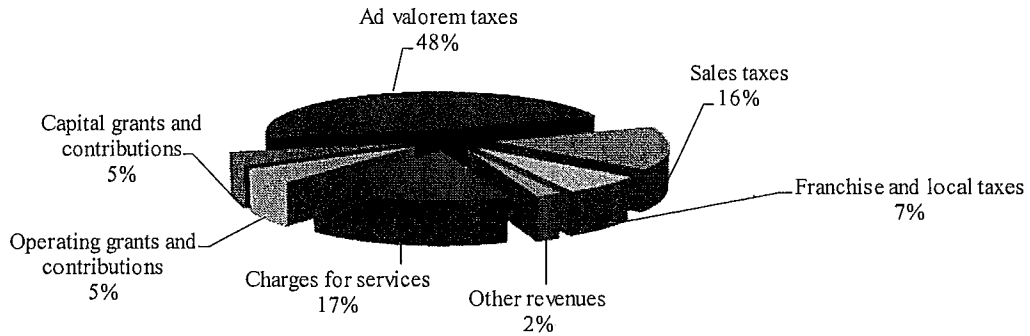
The following table provides a summary of the City's changes in net position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services	\$ 12,971,491	\$ 12,398,954	\$ 27,596,741	\$ 30,646,567	\$ 40,568,232	\$ 43,045,521
Operating grants and contributions	4,281,645	4,933,663	-	-	4,281,645	4,933,663
Capital grants and contributions	3,750,170	5,154,406	4,000,723	4,410,184	7,750,893	9,564,590
General revenues:						
Ad valorem taxes	36,513,595	36,285,502	-	-	36,513,595	36,285,502
Sales taxes	12,283,836	11,167,925	-	-	12,283,836	11,167,925
Franchise and local taxes	5,187,232	4,927,378	-	-	5,187,232	4,927,378
Investment earnings	291,101	146,199	357,077	196,367	648,178	342,566
Other revenues	1,635,709	572,180	-	1,632	1,635,709	573,812
Total Revenues	76,914,779	75,586,207	31,954,541	35,254,750	108,869,320	110,840,957
Expenses						
General government	14,240,323	12,458,678	-	-	14,240,323	12,458,678
Public safety	20,758,655	22,078,186	-	-	20,758,655	22,078,186
Public works	36,394,958	25,107,956	-	-	36,394,958	25,107,956
Community services	6,872,442	4,243,548	-	-	6,872,442	4,243,548
Interest and fiscal agent fees	4,541,184	3,868,803	-	-	4,541,184	3,868,803
Water and sewer	-	-	23,938,119	21,348,356	23,938,119	21,348,356
Total Expenses	82,807,562	67,757,171	23,938,119	21,348,356	106,745,681	89,105,527
Increase in Net Position						
Before Transfers and Gain	(5,892,783)	7,829,036	8,016,422	13,906,394	2,123,639	21,735,430
Transfers	2,240,000	686,001	(2,240,000)	(686,001)	-	-
Gain on sale of capital assets	-	-	636	-	636	-
Change in Net Position	(3,652,783)	8,515,037	5,777,058	13,220,393	2,124,275	21,735,430
Beginning net position	177,985,479	169,470,442	153,203,882	139,983,489	331,189,361	309,453,931
Ending Net Position	\$ 174,332,696	\$ 177,985,479	\$ 158,980,940	\$ 153,203,882	\$ 333,313,636	\$ 331,189,361

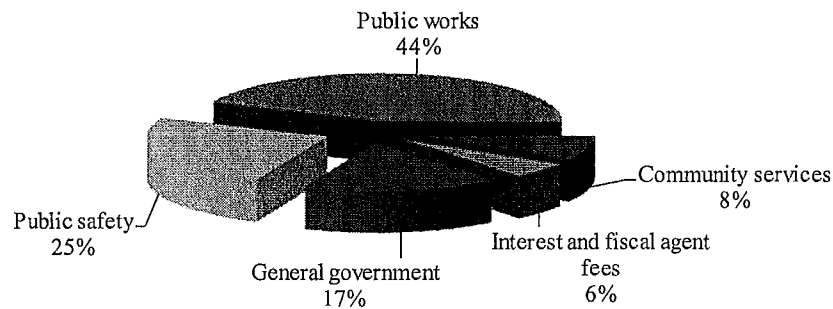
CITY OF LEAGUE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2012

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.

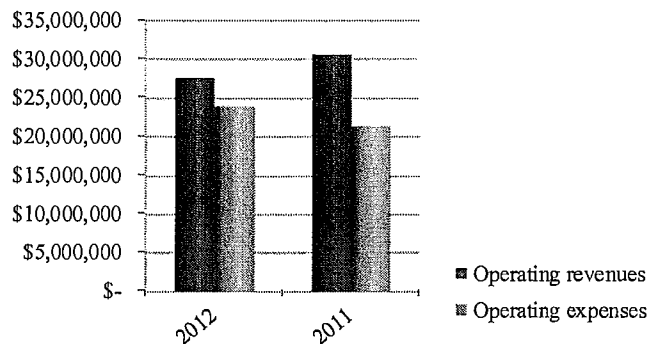
Governmental Activities - Revenues



Governmental Activities - Expenses



Business-Type Activities - Revenues and Expenses



CITY OF LEAGUE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2012

For the year ended September 30, 2012, revenues from governmental activities totaled \$73,164,609, excluding \$3,750,170 in capital grants and contributions, compared with \$70,431,801 in the prior year, excluding \$5,154,406 in prior year capital grants and contributions. This \$2,732,808 increase occurred as the result of \$572,537 in additional charges for services, \$1,115,911 in additional sales tax revenue, \$1,063,529 in additional other revenue, offset by a decreases in operating grant revenues of \$652,018.

Charges for services increased as a result of an increase in license and permit fees, which is due to increased construction compared to the prior year. Sales tax revenue increased as a result of a boost in sales in the area due to an improvement in economic conditions. Other revenue increased due to an increase in contributions from South Shore Harbour (SSH) Municipal Utility District (MUD) #2. Operating grant revenues decreased due to a decrease in grants funds from the Community Development Block Grant (CDBG) and the Texas Department of Rural Affairs (TDRA).

Investment earnings increased in the current year due to higher interest rates available in the markets and an increase in investments. Investment earnings were \$144,902 more than the prior year, an increase of 99 percent.

Capital grants and contributions decreased for governmental activities by \$1,404,236 due to a decrease in contributions from developers.

Governmental expenses increased by \$15,050,391. This increase is primarily due to increases in expenses related to public works, community services, and general government of \$11,287,002, \$2,628,894, and \$1,781,645, respectively, offset by a decrease in public safety expenses of \$1,319,531.

Overall, business-type activity revenues decreased by \$3,300,209 from the prior period, including a \$409,461 decrease in capital grants due to a decrease in contributions of infrastructure from developers and an decrease in charges for service of \$3,049,826. The latter decrease is due to decreased water consumption for the year ended September 30, 2012 due to a hard drought during the previous year. Water rates remained constant and the number of customers increased by approximately three percent.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

The City's governmental funds reflect a combined fund balance of \$87,751,746. Of this, \$25,362 is nonspendable, \$4,881,211 is restricted for debt service, \$55,077,389 for capital projects, \$653,149 for enabling legislation, \$219,940 for emergency management, \$448,090 for public access channel, \$244,998 for grants, \$3,467,277 for the tax increment reinvestment zones, and \$70,997 for the public improvement districts.

There was an increase in the combined fund balance of \$12,774,556 over the prior year. The general fund balance decreased by \$4,368,958, net of transfers to other funds, due to an increase in transfers out. The debt service fund balance experienced an increase of \$2,147,829, most of which was a result of a transfer from the general fund to assist with principal and interest payments. The certificates of obligation 2012 fund balance

CITY OF LEAGUE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2012

increased by \$37,718,616 due to the issuance of certificates of obligation. The remaining change in governmental fund balances stemmed from the negative net change in fund balance for the nonmajor funds.

The general fund is the chief operating fund of the City. At the end of the current year, total fund balance reached \$16,356,919. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 35 percent of total general fund expenditures. At year end, the City's operating reserve was \$16,331,557, representing 35 percent of total general fund expenditures.

Proprietary Funds – The City's proprietary funds financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

The amended budget included a planned decrease in fund balance in the amount of \$6,109,534. Of that amount, \$3 million was utilized to cash fund a portion of the 2012 refunding bonds. This budgeted decrease was largely attributable to transfers out in the amount of \$6,342,720. The actual fund balance for the year decreased by \$4,368,958. Actual revenues exceeded the amended budget by a net \$958,909 spread across various revenue lines. Actual sales tax revenue exceeded the amended budget amount by \$1,177,836, while the remaining revenue lines showed positive budget variances, with the exception of ad valorem taxes, franchise fees, fines and forfeitures, and investment earnings.

Actual expenditures were under the amended budget by \$781,667. The majority of this positive variance from the amended budget was a result of under runs in projected expenditures across all departments.

CAPITAL ASSETS

At the end of year 2012, the City's governmental and business-type activities had invested \$418,679,247 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$34,126,272. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34 with a net increase in depreciation for governmental and business-type activities of \$14,022,860.

Major capital asset events during the current year include the following:

- Developer contributions of infrastructure in the amount of \$3,750,170 for governmental activities and \$4,000,723 for business-type activities
- Eastern Regional Park construction in the amount of \$7,874,307
- Houston Avenue-FM518-SH 3 project in the amount of \$1,056,384
- South Service Area WWTP construction in the amount of \$10,673,956

More detailed information about the City's capital assets is presented in Note III. C to the financial statements.

CITY OF LEAGUE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2012

LONG-TERM DEBT

At the end of the current year, the City had total bonds and certificates of obligation outstanding of \$275,850,000. Of this amount, \$44,310,000 was general obligation debt, \$81,400,000 was revenue bond debt, \$148,085,000 was certificates of obligation, and contract revenue bonds accounted for the remaining \$2,055,000.

More detailed information about the City's long-term liabilities is presented in Note III. D to the financial statements.

Current underlying ratings on debt issues are as follows:

	Moody's Investors Service	Standard and Poor's
Water and sewer system revenue bonds	Aa2	AA
General obligation bonds	Aa2	AA

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City has been characterized by steady long-term growth, resilient economic performance in the face of national economic downturn, and a climate and geography considered attractive to families and businesses. In recent years, the City has experienced growth significantly above its historical trend that coincided with the national housing boom and regional energy boom. Our growth during this most recent period of League City's history has outstripped that of the metropolitan area.

Most recently, since 2010, the job losses at NASA's Johnson Space Center have been a primary concern for the City's economy. Those losses began in the spring of 2010 and continued through 2011, with most of the losses recorded when the shuttle program ended in mid-2011. The City continues to show stability in the face of ongoing job losses at NASA. Since the summer of 2010, the City has experienced growth in the 2.2% range as measured by water customers and new home construction permits.

Beyond local concerns about NASA, the overriding concern is the potential for major economic downturns in Europe and Asia that could affect the U.S. economy and, in turn, that for the region. The national recovery is far from robust, but is maintaining a slow pace of job creation. Regional job growth has recovered all of the jobs lost to the 2008-2009 downturn. Local prospects for growth are bright, at least in the near term, with continued sluggishness apparently resulting from the lingering effects of the NASA cuts.

Enhancements made in fiscal year 2010 to the City's financial planning and reporting to monitor the impact of the economy on major revenues have continued into fiscal year 2013. Sales taxes continue to be systematically compared with water customers, energy employment, local business conditions, and growth in the local retail base to better understand current trends in this volatile revenue source. For the third year in a row, a five year operating forecast (Long Range Financial Forecast or LRFF) was prepared that clarified the impact of economic change and program demands on the operating budget. The LRFF also included a study of debt capacity using conservative growth and interest rate assumptions that was used to provide a complete financing plan for the five year capital improvement plan.

To date, revenue and expenditure trends are tracking closely with budget assumptions. Major revenue sources are generally on budget and expenditures appear to be within budget.

CITY OF LEAGUE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2012

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the finances of the City. Questions concerning this report or requests for additional financial information should be directed to the Office of the Finance Director, 300 West Walker, League City, TX, 77573, telephone 281-554-1368, or for general City information, visit the City's website at www.leaguecity.com.

BASIC FINANCIAL STATEMENTS

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CITY OF LEAGUE CITY, TEXAS

STATEMENT OF NET POSITION

September 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<u>Assets</u>				
Cash and equity in pooled cash	\$ 85,498,142	\$ 8,866,294	\$ 94,364,436	\$ 6,978,067
Investments	4,071,255	2,014,172	6,085,427	-
Receivables, net	6,998,763	4,335,765	11,334,528	360,415
Due from component unit	255,472	-	255,472	-
Restricted cash and cash equivalents	-	104,945,244	104,945,244	-
Restricted investments	-	971,813	971,813	-
Inventories	21,737	-	21,737	-
Prepaid items	24,126	-	24,126	-
Internal balances	482	(482)	-	-
	<u>96,869,977</u>	<u>121,132,806</u>	<u>218,002,783</u>	<u>7,338,482</u>
Capital assets:				
Non-depreciable	16,180,010	43,352,131	59,532,141	-
Net depreciable capital assets	<u>201,248,949</u>	<u>157,898,157</u>	<u>359,147,106</u>	<u>-</u>
	<u>217,428,959</u>	<u>201,250,288</u>	<u>418,679,247</u>	<u>-</u>
Total Assets	<u>314,298,936</u>	<u>322,383,094</u>	<u>636,682,030</u>	<u>7,338,482</u>
<u>Liabilities</u>				
Accounts payable and accrued liabilities	4,821,872	4,280,177	9,102,049	24,788
Due to primary government	-	-	-	255,472
Customer deposits	12,904	657,228	670,132	-
Accrued interest payable	<u>490,730</u>	<u>727,469</u>	<u>1,218,199</u>	<u>-</u>
	<u>5,325,506</u>	<u>5,664,874</u>	<u>10,990,380</u>	<u>280,260</u>
Noncurrent liabilities:				
Long-term liabilities due within one year	11,222,290	6,714,964	17,937,254	-
Long-term liabilities due in more than one year	<u>122,947,082</u>	<u>151,022,316</u>	<u>273,969,398</u>	<u>-</u>
	<u>134,169,372</u>	<u>157,737,280</u>	<u>291,906,652</u>	<u>-</u>
Total Liabilities	<u>139,494,878</u>	<u>163,402,154</u>	<u>302,897,032</u>	<u>280,260</u>
<u>Deferred Inflows of Resources</u>				
Unearned revenue	<u>471,362</u>	<u>-</u>	<u>471,362</u>	<u>-</u>
<u>Net Position</u>				
Net investment in capital assets	144,981,676	129,683,003	274,664,679	-
Restricted for:				
Debt service	4,892,658	5,767,327	10,659,985	-
Enabling legislation	653,149	-	653,149	-
Emergency management	219,940	-	219,940	-
Public access channel	448,090	-	448,090	-
Grants	244,998	-	244,998	-
Tax increment reinvestment	3,467,277	-	3,467,277	-
Public improvement district	70,997	-	70,997	-
Unrestricted	<u>19,353,911</u>	<u>23,530,610</u>	<u>42,884,521</u>	<u>7,058,222</u>
Total Net Position	<u>\$ 174,332,696</u>	<u>\$ 158,980,940</u>	<u>\$ 333,313,636</u>	<u>\$ 7,058,222</u>

See Notes to Financial Statements.

CITY OF LEAGUE CITY, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 14,240,323	\$ 3,294,614	\$ 1,179,761	\$ -
Public safety	20,758,655	-	1,185,754	-
Public works	36,394,958	5,041,613	-	3,750,170
Community services	6,872,442	4,635,264	1,916,130	-
Interest and fiscal agent fees	4,541,184	-	-	-
Total Governmental Activities	<u>82,807,562</u>	<u>12,971,491</u>	<u>4,281,645</u>	<u>3,750,170</u>
Business-Type Activities				
Water and sewer	<u>23,938,119</u>	<u>27,596,741</u>	<u>-</u>	<u>4,000,723</u>
Total Business-Type Activities	<u>23,938,119</u>	<u>27,596,741</u>	<u>-</u>	<u>4,000,723</u>
Total Primary Government	<u>\$ 106,745,681</u>	<u>\$ 40,568,232</u>	<u>\$ 4,281,645</u>	<u>\$ 7,750,893</u>
Component Units	<u>\$ 1,669,811</u>	<u>\$ -</u>	<u>\$ 82,565</u>	<u>\$ -</u>
Total Component Units	<u>\$ 1,669,811</u>	<u>\$ -</u>	<u>\$ 82,565</u>	<u>\$ -</u>

General Revenues:

Ad valorem taxes
 Sales taxes
 Franchise and local taxes
 Investment earnings
 Other revenues
 Gain (loss) on disposal of capital assets
 Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (9,765,948)	\$ -	\$ (9,765,948)	\$ -
(19,572,901)	-	(19,572,901)	-
(27,603,175)	-	(27,603,175)	-
(321,048)	-	(321,048)	-
(4,541,184)	-	(4,541,184)	-
(61,804,256)	-	(61,804,256)	-
-	7,659,345	7,659,345	-
-	7,659,345	7,659,345	-
(61,804,256)	7,659,345	(54,144,911)	-
\$ -	\$ -	\$ -	\$ (1,587,246)
\$ -	\$ -	\$ -	\$ (1,587,246)

36,513,595	-	36,513,595	-
12,283,836	-	12,283,836	2,029,300
5,187,232	-	5,187,232	-
291,101	357,077	648,178	7,471
1,635,709	-	1,635,709	19,900
-	636	636	(63,949)
2,240,000	(2,240,000)	-	-
58,151,473	(1,882,287)	56,269,186	1,992,722
(3,652,783)	5,777,058	2,124,275	405,476
177,985,479	153,203,882	331,189,361	6,652,746
\$ 174,332,696	\$ 158,980,940	\$ 333,313,636	\$ 7,058,222

CITY OF LEAGUE CITY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2012

	General	Debt Service	Certificates of Obligation 2012	Nonmajor Governmental Funds
<u>Assets</u>				
Cash and equity in pooled cash	\$ 10,712,614	\$ 4,604,412	\$ 37,717,377	\$ 30,382,263
Investments	4,071,255	-	-	-
Receivables, net	5,897,211	388,916	1,239	711,397
Due from other funds	133,393	368,829	-	-
Due from component unit	-	-	-	255,472
Inventory	1,236	-	-	-
Prepaid items	24,126	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$ 20,839,835	\$ 5,362,157	\$ 37,718,616	\$ 31,349,132
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 2,601,327	\$ 95,737	\$ -	\$ 2,075,160
Customer deposits	12,904	-	-	-
Due to other funds	40,897	-	-	460,132
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	2,655,128	95,737	-	2,535,292
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	1,827,788	385,209	-	18,840
<u>Fund Balances</u>				
Nonspendable:				
Prepaid items	24,126	-	-	-
Inventory	1,236	-	-	-
Restricted for:				
Debt service	-	4,881,211	-	-
Capital projects	-	-	37,718,616	17,358,773
Enabling legislation	-	-	-	653,149
Emergency management	-	-	-	219,940
Public access channel	-	-	-	448,090
Grants	-	-	-	244,998
Tax increment reinvestment zone	-	-	-	3,467,277
Public improvement district	-	-	-	70,997
Assigned to:				
Operating reserve	16,331,557	-	-	-
Special revenue funds	-	-	-	4,815,491
Capital project funds	-	-	-	1,740,407
Unassigned	-	-	-	(224,122)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	16,356,919	4,881,211	37,718,616	28,795,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 20,839,835	\$ 5,362,157	\$ 37,718,616	\$ 31,349,132

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$	83,416,666
	4,071,255
	6,998,763
	502,222
	255,472
	1,236
	24,126

\$	95,269,740
----	------------

\$	4,772,224
	12,904
	501,029

	5,286,157
--	-----------

	2,231,837
--	-----------

	24,126
	1,236

	4,881,211
	55,077,389
	653,149
	219,940
	448,090
	244,998
	3,467,277
	70,997

	13,053,493
	4,815,491
	1,740,407
	3,053,942

	87,751,746
--	------------

\$	95,269,740
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CITY OF LEAGUE CITY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2012

Total fund balances for governmental funds \$ 87,751,746

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - non-depreciable	16,180,010	
Capital assets - depreciable	196,099,063	
		212,279,073

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		1,760,475
--	--	-----------

Internal service funds are used by management to charge the costs of of certain capital assets to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Position.		7,201,504
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Some liabilities, including bonds payable, are not reported as liabilities in the governmental funds.

Accrued interest	(490,730)	
Non-current liabilities due in one year	(11,222,290)	
Non-current liabilities due in more than one year	(122,947,082)	
		(134,660,102)

Net Position of Governmental Activities		\$ 174,332,696

See Notes to Financial Statements.

CITY OF LEAGUE CITY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2012

	General	Debt Service	Certificates of Obligation 2012	Nonmajor Governmental Funds
<u>Revenues</u>				
Ad valorem taxes	\$ 19,710,116	\$ 11,519,203	-	\$ 5,194,624
Sales taxes	12,283,836	-	-	-
Franchise fees	4,637,436	-	-	198,795
Other taxes	-	-	-	351,001
Special assessments	-	-	-	2,916,579
Licenses and permits	2,125,034	-	-	-
Fines and forfeitures	1,724,216	-	-	1,558,649
Charges for services	4,635,264	-	-	-
Other revenue	235,228	856,433	-	544,048
Contributions	-	-	-	1,179,761
Investment earnings	33,325	188,285	4,377	63,353
Intergovernmental	1,185,754	-	-	1,916,130
Total Revenues	46,570,209	12,563,921	4,377	13,922,940
<u>Expenditures</u>				
Current:				
General government	10,603,067	2,533,414	-	963,251
Public safety	19,973,537	-	-	2,004,165
Public works	11,823,735	-	-	9,674,939
Community services	4,196,108	-	-	840,728
Capital Outlay	-	-	-	23,491,565
Debt Service:				
Principal	-	5,375,095	-	8,030,000
Interest and fiscal charges	-	3,226,491	363,404	1,080,816
Other debt service - advance refunding escrow	-	3,000,000	-	-
Total Expenditures	46,596,447	14,135,000	363,404	46,085,464
Excess (Deficiency) of Revenues Over (Under) Expenditures	(26,238)	(1,571,079)	(359,027)	(32,162,524)
<u>Other Financing Sources (Uses)</u>				
Bond issuance	-	-	33,675,000	6,075,000
Premium on bond issuance	-	-	4,402,643	445,373
Refunding bonds issued	-	13,760,000	-	-
Premium on refunding bonds	-	1,637,628	-	-
Payment to refunded bonds escrow agent	-	(15,178,720)	-	-
Transfers in	2,000,000	3,500,000	-	2,919,220
Transfers (out)	(6,342,720)	-	-	-
Total Other Financing Sources (Uses)	(4,342,720)	3,718,908	38,077,643	9,439,593
Net Change in Fund Balances	(4,368,958)	2,147,829	37,718,616	(22,722,931)
Beginning fund balances	20,725,877	2,733,382	-	51,517,931
Ending Fund Balances	\$ 16,356,919	\$ 4,881,211	37,718,616	\$ 28,795,000

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$	36,423,943
	12,283,836
	4,836,231
	351,001
	2,916,579
	2,125,034
	3,282,865
	4,635,264
	1,635,709
	1,179,761
	289,340
	3,101,884
	<hr/> 73,061,447

14,099,732
21,977,702
21,498,674
5,036,836
23,491,565

13,405,095
4,670,711
3,000,000
<hr/> 107,180,315

<hr/> (34,118,868)

39,750,000
4,848,016
13,760,000
1,637,628
(15,178,720)
8,419,220
(6,342,720)
<hr/> 46,893,424

12,774,556
<hr/> 74,977,190

\$	<hr/> <hr/> 87,751,746
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CITY OF LEAGUE CITY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2012

Net changes in fund balances - total governmental funds \$ 12,774,556

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation	(8,610,682)
Capital outlay	20,032,041

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	101,401
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The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when it is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Certificates of obligation issued	(33,675,000)
General obligation bonds issued	(19,835,000)
Premium on debt issued	(6,485,644)
Assumption of SSH MUD #2 debt	(3,270,000)
Principal repayments	13,405,095
Payment to refunding bond escrow agent	15,178,720
Other debt service - advance refunding escrow payment	3,000,000
Amortization of deferred charges	118,080
Accrued interest	11,447
Compensated absences	(165,072)
Net other post employment benefits obligation	(96,989)
Net pension obligation	(277,664)

Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	391,758
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Change in Net Position of Governmental Activities	\$ (3,652,783)
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See Notes to Financial Statements.

CITY OF LEAGUE CITY, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2012

	Business-Type Activities Water and Wastewater	Governmental Activities Internal Service Fund
<u>Assets</u>		
Current assets:		
Cash and equity in pooled cash	\$ 8,866,294	\$ 2,081,476
Investments	2,014,172	-
Receivables, net	4,335,765	-
Due from other funds	195	-
Inventories	-	20,501
Restricted cash and cash equivalents:		
Customer deposits	657,228	-
Capital projects	97,793,220	-
Debt service	6,494,796	-
Restricted investments:		
Capital projects	971,813	-
Total Current Assets	<u>121,133,483</u>	<u>2,101,977</u>
Noncurrent assets:		
Capital assets:		
Non-depreciable	43,352,131	-
Net depreciable capital assets	157,898,157	5,149,886
Total Capital Assets, Net of Accumulated Depreciation	<u>201,250,288</u>	<u>5,149,886</u>
Total Noncurrent Assets	<u>201,250,288</u>	<u>5,149,886</u>
Total Assets	<u>322,383,771</u>	<u>7,251,863</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued liabilities	4,280,177	49,648
Accrued interest	727,469	-
Due to other funds	677	711
Customer deposits	657,228	-
Compensated absences	359,898	-
Bonds, notes, and loans payable	6,355,066	-
Total Current Liabilities	<u>12,380,515</u>	<u>50,359</u>
Noncurrent liabilities:		
Compensated absences	39,988	-
Net other post employment benefits obligation	93,323	-
Net pension obligation	264,330	-
Bonds, notes, and loans payable	150,624,675	-
Total Noncurrent Liabilities	<u>151,022,316</u>	<u>-</u>
Total Liabilities	<u>163,402,831</u>	<u>50,359</u>
<u>Net Position</u>		
Net investment in capital assets	129,683,003	5,149,886
Restricted for debt service	5,767,327	-
Unrestricted	23,530,610	2,051,618
Total Net Position	<u>\$ 158,980,940</u>	<u>\$ 7,201,504</u>

See Notes to Financial Statements.

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CITY OF LEAGUE CITY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2012

	Business-Type Activities Water and Wastewater	Governmental Activities Internal Service Fund
<u>Operating Revenues</u>		
Charges for services	\$ 27,582,569	\$ 2,849,847
Other	14,172	25,293
Total Operating Revenues	<u>27,596,741</u>	<u>2,875,140</u>
<u>Operating Expenses</u>		
Personnel	5,189,783	656,804
Contractual services	3,901,606	9,769
Utilities	1,081,894	-
Repairs and maintenance	1,439,563	629,321
Other supplies and expenses	2,125,240	80,068
Depreciation	4,285,308	1,272,681
Total Operating Expenses	<u>18,023,394</u>	<u>2,648,643</u>
Operating Income	<u>9,573,347</u>	<u>226,497</u>
<u>Nonoperating Revenues (Expenses)</u>		
Investment earnings	357,077	1,761
Interest expense	(5,914,725)	-
Gain (loss) on disposal of capital assets	636	-
Total Nonoperating (Expenses)	<u>(5,557,012)</u>	<u>1,761</u>
Income Before Contributions and Transfers	4,016,335	228,258
Capital contributions	4,000,723	-
Transfers in	-	163,500
Transfers (out)	(2,240,000)	-
Change in Net Position	5,777,058	391,758
Beginning net position	153,203,882	6,809,746
Ending Net Position	<u><u>\$ 158,980,940</u></u>	<u><u>\$ 7,201,504</u></u>

See Notes to Financial Statements.

CITY OF LEAGUE CITY, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 1 of 2)

For the Year Ended September 30, 2012

	Business-Type Activities Water and Wastewater	Governmental Activities Internal Service Fund
<u>Cash Flows from Operating Activities</u>		
Receipts from customers and users	\$ 27,943,923	\$ 2,915,470
Payments to suppliers	(10,783,036)	(695,773)
Payments to employees	(5,137,669)	(656,804)
Net Cash Provided by Operating Activities	<u>12,023,218</u>	<u>1,562,893</u>
<u>Cash Flows from Noncapital Financing Activities</u>		
Transfers in from other funds	-	163,500
Transfers (out) to other funds	(2,240,000)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(2,240,000)</u>	<u>163,500</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Principal payments on debt	(6,154,905)	-
Payments to refunded bonds escrow agent	(12,726,334)	-
Proceeds from debt issuance	68,497,337	-
Acquisition and construction of capital assets	(20,170,992)	(341,017)
Interest and fiscal charges	(5,914,725)	-
Proceeds from sale of capital assets	636	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>23,531,017</u>	<u>(341,017)</u>
<u>Cash Flows from Investing Activities</u>		
Proceeds from sales and maturities of investments	16,742,716	-
Interest on investments	357,077	1,761
Net Cash Provided by Investing Activities	<u>17,099,793</u>	<u>1,761</u>
Net Increase in Cash and Equivalents	50,414,028	1,387,137
Beginning cash and cash equivalents	63,397,510	694,339
Ending Cash and Cash Equivalents	<u>\$ 113,811,538</u>	<u>\$ 2,081,476</u>
Unrestricted Cash and Cash Equivalents	\$ 8,866,294	\$ 2,081,476
Restricted Cash and Cash Equivalents	<u>104,945,244</u>	<u>-</u>
Total Cash and Cash Equivalents	<u>\$ 113,811,538</u>	<u>\$ 2,081,476</u>

CITY OF LEAGUE CITY, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2012

	<u>Business-Type Activities Water and Wastewater</u>	<u>Governmental Activities Internal Service Fund</u>
Reconciliation of Operating Income		
to Net Cash Provided by Operating Activities		
Operating income	\$ 9,573,347	\$ 226,497
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	4,285,308	1,272,681
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable	335,851	40,330
Due from other funds	(195)	-
Inventories	-	3,266
Increase (Decrease) in:		
Accounts payable and accrued liabilities	(2,235,215)	19,408
Compensated absences	(13,272)	-
Customer deposits	11,331	-
Net other post employment benefit obligation	19,865	-
Net pension obligation	45,521	-
Due to other funds	677	711
	<u>677</u>	<u>711</u>
Net Cash Provided by Operating Activities	<u><u>\$ 12,023,218</u></u>	<u><u>\$ 1,562,893</u></u>
Noncash Capital Activities:		
Capital assets contributed during the year	<u><u>\$ 4,000,723</u></u>	<u><u>\$ -</u></u>

See Notes to Financial Statements.

CITY OF LEAGUE CITY, TEXAS

STATEMENT OF NET POSITION

DISCRETELY PRESENTED COMPONENT UNITS

September 30, 2012

	4B Economic Development Corporation	Volunteer Fire Department	Total Discretely Presented Component Units
<u>Assets</u>			
Current Assets:			
Cash and equity in pooled cash	\$ 6,930,216	\$ 47,851	\$ 6,978,067
Receivables, net	360,415	-	360,415
Total Assets	<u>7,290,631</u>	<u>47,851</u>	<u>7,338,482</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable and accrued liabilities	24,788	-	24,788
Due to primary government	255,472	-	255,472
Total Liabilities	<u>280,260</u>	<u>-</u>	<u>280,260</u>
<u>Net Position</u>			
Unrestricted	<u>7,010,371</u>	<u>47,851</u>	<u>7,058,222</u>
Total Net Position	<u>\$ 7,010,371</u>	<u>\$ 47,851</u>	<u>\$ 7,058,222</u>

See Notes to Financial Statements.

CITY OF LEAGUE CITY, TEXAS
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended September 30, 2012

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Component Units			
4B Economic Development Corporation	\$ 1,643,989	\$ -	\$ 60,500
Volunteer Fire Department	25,822	-	22,065
Total Component Units	<u>\$ 1,669,811</u>	<u>\$ -</u>	<u>\$ 82,565</u>

General Revenues:

Sales taxes
Investment earnings
Loss on disposal of capital assets
Other revenues

Total General Revenues
Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>4B Economic Development Corporation</u>	<u>Volunteer Fire Department</u>	<u>Total</u>
\$ (1,583,489)	\$ -	\$ (1,583,489)
-	(3,757)	(3,757)
<u>\$ (1,583,489)</u>	<u>\$ (3,757)</u>	<u>\$ (1,587,246)</u>
\$ 2,029,300	\$ -	\$ 2,029,300
7,471	-	7,471
-	(63,949)	(63,949)
19,900	-	19,900
<u>2,056,671</u>	<u>(63,949)</u>	<u>1,992,722</u>
473,182	(67,706)	405,476
<u>6,537,189</u>	<u>115,557</u>	<u>6,652,746</u>
<u>\$ 7,010,371</u>	<u>\$ 47,851</u>	<u>\$ 7,058,222</u>

CITY OF LEAGUE CITY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended September 30, 2012

		<u>Insurance Trust</u>
<u>Operating Revenues</u>		
Charges for services		\$ 4,555,147
	Total Operating Revenues	<u>4,555,147</u>
<u>Operating Expenses</u>		
Insurance		4,555,147
	Total Operating Expenses	<u>4,555,147</u>
	Operating Income	<u>-</u>
	Change in Net Position	-
Beginning net position		<u>-</u>
	Ending Net Position	<u><u>\$ -</u></u>

See Notes to Financial Statements.

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CITY OF LEAGUE CITY, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of League City, Texas (the "City") was incorporated in May 1962 and adopted a "Home Rule Charter" which provided for a "Mayor-Council" form of government. In May 2010, the voters of the City approved various amendments to the City charter, including adoption of the Council Manager form of government and the creation of the office of the City Manager. A Mayor and seven Council members are elected by voters of the City at large for four-year terms.

The City Council is the principal legislative and administrative body of the City. Subject to confirmation of the City Council, the Mayor has the power to appoint all boards, commissions, agencies, and officers provided for in the charter or by ordinance. The Mayor is the presiding officer of the City Council.

The City Manager is the head of the administrative departments of the City and is the supervisor of all administrative officers, employees, directors, and department heads. Departments and agencies of the City submit budget requests to the City Manager.

The City provides the following services: public safety (police, fire, and EMS), public works, water and sewer services, solid waste collection and disposal (contract), community services, and general government.

The City is an independent political subdivision of the State of Texas governed by an elected Council and a Mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The component units, as listed below, although legally separate, are considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

Discretely Presented Component Units

Major Component Units

City of League City Section 4B Economic Development Corporation

All powers of the 4B Economic Development Corporation (the "Corporation") are vested in a Board consisting of seven persons who are appointed by the City Council. The Board acts on behalf of the City in administering the provisions of Section 4B, Article 5190.6, of the Development Act of 1979, State of Texas. The Corporation is funded by a one-quarter percent local sales and use tax approved by local voters. The Corporation is fiscally dependent on the City because the capital budgets are approved by City Council. In addition, the Corporation is prohibited from issuing bonded debt without approval of the City Council.

League City Volunteer Fire Department

The members of the governing board are appointed by City Council. A budget is approved annually to provide fire protection to the citizens of the City. In fiscal year 2011, the City hired a full time fire chief, who provides leadership and direction for the volunteer fire department and the volunteers.

Blended Component Units

City of League City Tax Increment Reinvestment Zone (TIRZ) No. Two – Victory Lakes

Five of the seven members of the governing Board are appointed by City Council as dictated by Chapter 311 of the Texas Tax Code. The Clear Creek Independent School District (CCISD) is a participant in this TIRZ and appoints one member to the Board. The County of Galveston is also a participant and appoints the remaining member of the Board. This entity was created to provide the financing and management tool needed to facilitate the development of a master planned community and business park within the boundaries of the City. The TIRZ Board also oversees the operations of the Public Improvement District (PID) created in conjunction with the TIRZ. The TIRZ allows developers to create the infrastructure to the master planned community and business park. As the developer of the master planned community completes infrastructure improvements within the TIRZ, the City takes title to the infrastructure and the TIRZ is responsible for reimbursing the developer for the infrastructure costs.

City of League City Tax Increment Reinvestment Zone (TIRZ) No. Three – CenterPointe

Six of the seven members of the governing Board are appointed by City Council as dictated by Chapter 311 of the Texas Tax Code. The remaining board member is appointed by the County of Galveston. This entity was created to provide the financing and management tool needed to facilitate the development of a master planned community and business park within the boundaries of the City. The TIRZ Board also oversees the operations of the Public Improvement District (PID) created in conjunction with the Zone. The TIRZ allows developers to create the infrastructure to the master planned community and business park. As the developer of the master planned community completes infrastructure improvements within the TIRZ, the City takes title to the infrastructure and the TIRZ is responsible for reimbursing the developer for the infrastructure costs.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

City of League City Tax Increment Reinvestment Zone (TIRZ) No. Four – Westwood

Six of the nine members of the governing Board are appointed by City Council as dictated by Chapter 311 of the Texas Tax Code. The other three board members are represented by a County of Galveston appointee, the State Senator for the area or designee, and the State Representative for the area or designee. This entity was created to provide the financing and management tool needed to facilitate the development of a master planned community and business park within the boundaries of the City. The TIRZ allows developers to create the infrastructure to the master planned community and business park. As the developer of the master planned community completes infrastructure improvements within the TIRZ, the City takes title to the infrastructure and the TIRZ is responsible for reimbursing the developer for the infrastructure costs.

City of League City Public Improvement District (PID) No. One – Magnolia Creek

City Council approved an ordinance terminating Tax Increment Reinvestment Zone (TIRZ) No. One on August 14, 2010. However, the TIRZ Board continues to oversee the operations of the PID created in conjunction with the TIRZ. The PID was created to assist in the financing of the residential costs of a master planned community. The revenues are derived from an assessment levied against each residential lot and are used to reimburse the developer for infrastructure costs. The assessment can be paid in full at the time of final occupancy or may be financed for a period of 15 to 20 years.

City of League City Public Improvement District (PID) No. Two – Victory Lakes

The TIRZ Board oversees the operations of the PID created in conjunction with the TIRZ. This entity was created to assist in the financing of the residential cost of a master planned community. The revenues are derived from an assessment levied against each residential lot. The assessment can be paid in full at the time of final occupancy or may be financed for a period of 15 to 20 years.

City of League City Public Improvement District (PID) No. Three – CenterPointe

The TIRZ Board oversees the operations of the PID created in conjunction with the TIRZ. This entity was created to assist in the financing of the residential cost of a master planned community. The revenues are derived from an assessment levied against each residential lot. The assessment can be paid in full at the time of final occupancy or may be financed for a period of 15 to 20 years.

City of League City Public Improvement District (PID) No. Five – Park on Clear Creek

This entity was created to assist in the financing of the residential cost of a master planned community. The revenues are derived from an assessment levied against each residential lot. The assessment can be paid in full at the time of final occupancy or may be financed for a period of 25 years. The City Council has dissolved the board and now functions on their behalf.

The component units identified above are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The City appoints a majority of these organizations' boards and is either able to impose its will on them or a financial benefit/burden exists.

TIRZ No. One, a previous component unit of the City, was dissolved during fiscal year 2010. The remaining funds are to be used by the City to complete certain infrastructure improvements within the reinvestment zone.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

Complete financial statements of the individual component units can be obtained directly from administrative offices of the City.

Not included as part of the City's reporting entity are 14 municipal utility districts (MUDs). The City acts as an "operator" of the facilities. The City rebates to six of the districts from four to 40 percent of taxes levied and collected within the MUDs but does not guarantee the debt of the MUDs. The MUDs' Boards of Directors are elected officials and the City exercises no control over the Boards of Directors. The MUDs construct the facilities and issue bonds to finance such facilities. The MUDs release their security interest in the facilities to the City, and the City operates and maintains the systems. South Shore Harbour (SSH) MUD #2 and South Shore Harbour (SSH) MUD #3 were dissolved during fiscal years 2012 and 2011, respectively. The City has taken over the debt of these entities.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and wastewater functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

The City reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, and community services. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

The *special revenue funds* are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds are considered nonmajor funds for reporting purposes.

The *capital projects funds* are used to account for the expenditures of resources accumulated from the sale of long-term debt and related interest earnings for capital improvement projects. The capital projects funds are considered nonmajor funds for reporting purposes, with the exception of the Certificates of Obligation 2012 fund, which is reported as a major fund.

The City reports the following enterprise fund:

The *enterprise fund* is used to account for the operations that provide water and wastewater collection and wastewater treatment operations. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The water and wastewater fund is considered a major fund for reporting purposes.

Additionally, the City reports the following fund types:

Internal service funds account for services provided to other departments or agencies of the primary government, or to other governments, on a cost reimbursement basis. The City's internal service fund is used to account for motor pool services, which are financed from systematic transfers from general governmental and enterprise funds.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City maintains one fiduciary fund, the insurance trust fund. The insurance trust fund is used to account for premiums paid on a group health insurance plan, which provides coverage for City employees.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

F. Assets, Liabilities, and Net Assets or Fund Equity

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, balances in statewide investment pools (TexPool and TexSTAR), and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

The City maintains a pooled cash account. Each fund whose monies are deposited in the pooled cash account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end. Amounts on deposit in interest bearing accounts and other investments are displayed on the combined balance sheet as "cash and equity in pooled cash." For cash management purposes, the City has a sweep arrangement with the bank to transfer cash balances to a money market mutual fund account each day. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

2. Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool and TexStar, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government or U.S. Government agencies
- Fully collateralized certificates of deposit
- Money market mutual funds that meet certain criteria
- Banker's acceptance
- Statewide investment pools

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

4. Restricted Assets

Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements. Restricted assets of the enterprise fund are restricted by bond covenants for repayment of debt and to finance construction projects.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	30 years
Equipment	5 years
Water and sewer system	50 years
Infrastructure	50 years

6. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any items that qualify for this section.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

7. Compensated Employee Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Amounts accumulated, up to certain amounts, may be paid to employees upon termination of employment.

Length of Service (Months)	Maximum Vacation Leave Accrual
1-60	160 hours
61-120	240 hours
121-180	320 hours
181-240	400 hours
More than 240	480 hours

Upon retirement from the City, an employee will receive compensation for unused sick leave hours up to a maximum of 720 hours. Civil Service personnel are also compensated for accrued sick leave for up to 90 days upon termination of employment. The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund.

Assets acquired under the terms of a capital lease are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the applicable fund. Lease payments

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

9. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

10. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

11. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. The City strives to maintain a minimum unassigned fund balance in the general fund between 90 and 100 days of current year operating expenditures.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

12. Post Employment Healthcare Benefits

The City provides post employment healthcare benefits as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and the City incurs no direct costs. In January 2004, the City approved the payment of health insurance premiums for eligible retirees. Coverage is offered to those employees who are at least 60 years of age and who are retiring with 20 years of service with the City. The retiree cost for health insurance will be covered until the retiree reaches the age of 65. At this time, the retiree would then be eligible for the Medicare Part B coverage at their own expense.

13. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied during October of each year and are due upon receipt of the City's tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund and internal service fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund and internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except the capital projects funds, which adopt a project length budget. In addition, the following special revenue funds do not have an adopted budget: TIRZ No. One, Two, Three, and

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

Four, PID No. One, Two, Three, and Five, Energy Efficiency Grant Fund, South Shore Harbour (SSH) MUD #2 and #3 Funds, and the Severe Repetitive Loss (SRL) Grant Fund. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control, as defined by the charter, in the approved budget is at the department level for all funds. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were made for the year ended September 30, 2012.

Encumbrances represent the estimated amount of expenditures ultimately to result when unperformed contracts (in progress at year end) are completed. Such encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

As of September 30, 2012, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Days)
U.S. agencies	\$ 971,813	0.21
Certificates of deposit	6,084,918	10.44
External investment pools:		
TexPool	144,635,451	0.71
TexStar	51,624,603	0.25
Total Fair Value	<u><u>\$ 203,316,785</u></u>	
Portfolio weighted average maturity		11.61

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Credit risk. The City's policy requires that investment pools must be rated no lower than AAA or AAA-m. Bankers' acceptances must be issued in the United States and carry a rating of A1/P1 as provided by two of the top nationally recognized rating agencies. As of September 30, 2012, the City's investments in TexPool and TexStar were rated AAAM by Standard & Poor's. All other investments are guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency. More specifically, the U.S. agency securities held by the City as of September 30, 2012 consist of a variety of bonds and discount notes issued by the Federal Home Loan Bank, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation. These investments were rated not less than AAA by both Moody's and Standard & Poor's.

Custodial credit risk – deposits. In the case of deposits, this is the risk that the City's deposits may not be returned in the event of a bank failure. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of September 30, 2012, fair market values of pledged securities and FDIC coverage exceeded bank balances.

Custodial credit risk – investments. For an investment, this is the risk that the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

party in the event of the failure of the counterparty. The City's investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third party custody/safekeeping agent.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rates TexPool AAAm. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexSTAR

The Texas Short Term Asset Reserve Fund (TexSTAR) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing, respectively. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services.

TexPool and TexSTAR operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool and TexSTAR use amortized cost rather than fair value to report net assets to compute share prices. Accordingly, the fair values of the positions in TexPool and TexSTAR are the same as the values of TexPool and TexSTAR shares.

B. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the general fund, the debt service fund, the nonmajor governmental funds in the aggregate, and the enterprise fund, including the applicable allowances for uncollectible accounts:

	General	Debt Service	Certificates of Obligation 2012	Nonmajor	Water and Wastewater
Ad valorem taxes	\$ 1,031,459	\$ 592,748	\$ -	\$ 3,495	\$ -
Other taxes	3,523,882	-	-	151,851	-
Accounts	3,292,057	-	-	202,953	4,484,943
Intergovernmental	187,402	-	-	354,134	-
Other	179,063	2,508	1,239	-	14,296
Less allowance	(2,316,652)	(206,340)	-	(1,036)	(163,474)
Total	\$ 5,897,211	\$ 388,916	\$ 1,239	\$ 711,397	\$ 4,335,765

CITY OF LEAGUE CITY, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2012

C. Capital Assets

A summary of changes in capital assets for the year end is as follows:

	Primary Government			Ending Balance
	Beginning Balance	Reclassifications Increases	Reclassifications (Decreases)	
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 12,136,557	\$ 693,277	\$ -	\$ 12,829,834
Construction in progress	11,150,848	2,324,767	(10,125,439)	3,350,176
Total capital assets not being depreciated	23,287,405	3,018,044	(10,125,439)	16,180,010
Other capital assets				
Infrastructure	279,420,393	9,813,629	-	289,234,022
Buildings and improvements	34,946,261	15,433,971	-	50,380,232
Machinery and equipment	27,651,043	6,347,588	(469,977)	33,528,654
Total other capital assets	342,017,697	31,595,188	(469,977)	373,142,908
Less accumulated depreciation for:				
Infrastructure	(128,912,284)	(5,493,467)	-	(134,405,751)
Buildings and improvements	(17,021,446)	(1,907,851)	-	(18,929,297)
Machinery and equipment	(16,182,278)	(2,846,610)	469,977	(18,558,911)
Total accumulated depreciation	(162,116,008)	(10,247,928)	469,977	(171,893,959)
Other capital assets, net	179,901,689	21,347,260	-	201,248,949
 Governmental Activities				
Capital Assets, Net	<u>\$ 203,189,094</u>	<u>\$ 24,365,304</u>	<u>\$ (10,125,439)</u>	217,428,959
		Less associated debt		(128,703,677)
		Plus unspent bond proceeds		56,256,394
		Net Investment in Capital Assets		<u>\$ 144,981,676</u>

All capital assets constructed or paid for with funds of the component units are titled in the City's name. Accordingly, component unit capital assets and construction in progress are recorded in the governmental activities totals.

Depreciation was charged to governmental functions as follows:

General government	\$ 200,944
Public safety	2,136,483
Public works	6,042,971
Community services	1,711,466
Total Governmental Activities Depreciation Expense	<u>\$ 10,091,864</u>

Depreciation expense above differs from the addition to accumulated depreciation due to the contribution of fully depreciated assets from the City's component unit in the amount of \$156,064 during the year.

CITY OF LEAGUE CITY, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2012

Construction in progress and remaining commitments under related construction contracts for general government construction projects at year end were as follows:

Governmental Activities:

<u>Project Description</u>	<u>Authorized Contract</u>	<u>Contract Expenditures</u>	<u>Remaining Contract</u>
Robinson Bayou Bank Stabilization	\$ 402,132	\$ 321,087	\$ 81,045
Public Safety Facility & Jail	25,882,118	844,437	25,037,681
Clear Creek Paddle Trail	211,532	158,561	52,971
Louisiana Avenue	47,000	44,681	2,319
Five Corners Realignment	736,660	493,060	243,600
Texas Avenue	505,870	203,173	302,697
Annual Stormwater	604,233	127,007	477,226
Entertainment District Improvements	414,500	215,810	198,690
NPDES Stormwater Plan	118,045	88,516	29,529
Fire Station EMS Expansion	141,800	41,578	100,222
WaterSmart Park	83,000	77,081	5,919
Hobbs Road and LC Parkway Traffic Improvements	333,800	168,800	165,000
Calder Road - Ervin to League City Parkway	99,940	27,477	72,463
TXDOT FM518 Bypass Hike and Bike	3,645,643	100,834	3,544,809
FM518 Access Management	964,530	178,202	786,328
Total	<u><u>\$ 34,190,803</u></u>	<u><u>\$ 3,090,304</u></u>	<u><u>\$ 31,100,499</u></u>

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

The following is a summary of changes in capital assets for business-type activities for the year end:

	<u>Beginning Balance</u>	<u>Reclassifications Increases</u>	<u>Reclassifications (Decreases)</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 1,115,414	\$ 20,095	\$ -	\$ 1,135,509
Construction in progress	22,836,794	22,418,578	(3,038,750)	42,216,622
Total capital assets not being depreciated	23,952,208	22,438,673	(3,038,750)	43,352,131
Other capital assets				
Infrastructure	175,311,446	4,535,368	-	179,846,814
Water rights	14,528,975	-	-	14,528,975
Buildings and improvements	648,991	-	-	648,991
Machinery and equipment	5,838,939	236,424	(40,399)	6,034,964
Total other capital assets	196,328,351	4,771,792	(40,399)	201,059,744
Less accumulated depreciation for:				
Infrastructure	(31,463,720)	(3,506,386)	-	(34,970,106)
Water rights	(3,008,985)	(298,661)	-	(3,307,646)
Buildings and improvements	(315,644)	(35,215)	-	(350,859)
Machinery and equipment	(4,128,329)	(445,046)	40,399	(4,532,976)
Total accumulated depreciation	(38,916,678)	(4,285,308)	40,399	(43,161,587)
Other capital assets, net	157,411,673	486,484	-	157,898,157
 Business-Type Activities Capital Assets, Net	 <u>\$ 181,363,881</u>	 <u>\$ 22,925,157</u>	 <u>\$ (3,038,750)</u>	 201,250,288
		Less associated debt		(156,979,741)
		Plus unspent bond proceeds		<u>85,412,456</u>
		Net Investment in Capital Assets		<u><u>\$ 129,683,003</u></u>

Depreciation was charged to business-type functions as follows:

Water and sewer	<u>\$ 4,285,308</u>
Total Business-Type Activities Depreciation Expense	<u><u>\$ 4,285,308</u></u>

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

Construction in progress and remaining commitments under related construction contracts for enterprise fund projects at year end were as follows:

Business-Type Activities:

Project Description	Authorized Contract	Contract Expenditures	Remaining Contract
Southwest WWTP	\$ 30,949,813	\$ 29,121,116	\$ 1,828,697
North Service Area	371,000	313,543	57,457
FW11 LS Upgrade	237,150	193,250	43,900
Magnolia Creek South FM Diversion	1,673,725	1,088,680	585,045
Butler Road LS & FM	2,011,265	1,534,118	477,147
West Main LS/FM	1,748,229	665,615	1,082,614
30" Waterline, West Side	236,000	108,761	127,239
Beamer Road Waterline Extension	510,900	467,600	43,300
Northside Water Booster	7,780,495	4,211,388	3,569,107
East Side Elevated Water Tower	551,050	399,750	151,300
South Shore Harbour Pump Station	608,800	314,800	294,000
Southeast Service Area Trunks	724,999	708,799	16,200
TXDOT FM646 Widening	203,083	201,656	1,427
SH3 Water Booster Station	19,306,150	1,050,938	18,255,212
36" WL - SH3 to SSH Booster Station	915,640	266,361	649,279
Facility Access & Control	22,840	7,855	14,985
24" WL Alderwood to FM518	194,433	113,920	80,513
New Water Wells	797,400	483,000	314,400
Calder Road Booster Station	943,650	170,577	773,073
Countryside Pump Station & Well Rehab	178,500	13,672	164,828
Re-Use Improvements-Ph 1	185,150	53,933	131,217
Sanitary Sewer Rehab 2012	297,275	212,533	84,742
Autumn Lakes LS FM	115,800	79,008	36,792
East Main LS & Well Rehab	71,350	40,913	30,437
Force Main Upgrade-Bay Colony to Ervin	187,600	17,389	170,211
Hobbs Road LS & FM	60,500	5,741	54,759
Total	\$ 70,882,797	\$ 41,844,916	\$ 29,037,881

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

The following is a summary of changes in capital assets for discretely presented component units for the year end:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclassifications (Decreases)</u>	<u>Ending Balance</u>
Component Unit Activities:				
Capital assets not being depreciated:				
Land	\$ 41,080	\$ -	\$ (41,080)	\$ -
Total capital assets not being depreciated	<u>41,080</u>	<u>-</u>	<u>(41,080)</u>	<u>-</u>
Other capital assets				
Buildings and improvements	115,013	-	(115,013)	-
Machinery and equipment	<u>63,920</u>	<u>-</u>	<u>(63,920)</u>	<u>-</u>
Total other capital assets	<u>178,933</u>	<u>-</u>	<u>(178,933)</u>	<u>-</u>
Less accumulated depreciation for:				
Buildings and improvements	(104,845)	-	104,845	-
Machinery and equipment	<u>(51,219)</u>	<u>-</u>	<u>51,219</u>	<u>-</u>
Total accumulated depreciation	<u>(156,064)</u>	<u>-</u>	<u>156,064</u>	<u>-</u>
Other capital assets, net	<u>22,869</u>	<u>-</u>	<u>(22,869)</u>	<u>-</u>
Component Unit Capital Assets, Net	<u><u>\$ 63,949</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (63,949)</u></u>	<u><u>\$ -</u></u>

The volunteer fire department capital assets shown above were contributed to the City during fiscal year 2012.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

D. Long-Term Debt

The following is a summary of changes in the City's total long-term liabilities for the year end. In general, the City uses the general and debt service funds to liquidate governmental long-term liabilities.

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. The governmental activities compensated absences are generally liquidated by the general fund. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds, notes, and other payables:					
General obligation bonds	\$ 9,660,590	\$ 23,105,000	\$ 5,615,093	\$ 27,150,497	* \$ 2,979,934
Certificates of obligation	87,550,000	33,675,000	25,065,000	96,160,000	* 5,155,000
Unamortized debt items	(70,666)	5,581,924	118,078	5,393,180	* -
	<u>97,139,924</u>	<u>62,361,924</u>	<u>30,798,171</u>	<u>128,703,677</u>	<u>8,134,934</u>
Other liabilities:					
Compensated absences	3,265,324	2,301,276	2,136,204	3,430,396	3,087,356
Net OPEB obligation	358,646	96,989	-	455,635	-
Net pension obligation	<u>1,302,000</u>	<u>277,664</u>	<u>-</u>	<u>1,579,664</u>	<u>-</u>
Total Governmental Activities	<u>\$ 102,065,894</u>	<u>\$ 65,037,853</u>	<u>\$ 32,934,375</u>	<u>\$ 134,169,372</u>	<u>\$ 11,222,290</u>
Long-term debt due in more than one year				<u>\$ 122,947,082</u>	
Business-Type Activities:					
Revenue bonds	\$ 94,835,000	\$ -	\$ 13,435,000	\$ 81,400,000	** \$ 3,190,000
General obligation bonds	9,924,409	11,215,000	3,979,906	17,159,503	** 2,245,066
Certificates of obligation	-	51,925,000	-	51,925,000	** 715,000
Contract revenue bonds	2,720,000	-	665,000	2,055,000	** 205,000
(Less) unamortized premiums, and discounts	(115,762)	4,842,211	286,211	4,440,238	** -
	<u>107,363,647</u>	<u>67,982,211</u>	<u>18,366,117</u>	<u>156,979,741</u>	<u>6,355,066</u>
Other liabilities:					
Compensated absences	413,158	363,705	376,977	399,886	359,898
Net OPEB obligation	73,458	19,865	-	93,323	-
Net pension obligation	<u>218,809</u>	<u>45,521</u>	<u>-</u>	<u>264,330</u>	<u>-</u>
Total Business-Type Activities	<u>\$ 108,069,072</u>	<u>\$ 68,411,302</u>	<u>\$ 18,743,094</u>	<u>\$ 157,737,280</u>	<u>\$ 6,714,964</u>
Long-term debt due in more than one year				<u>\$ 151,022,316</u>	
* Debt associated with governmental activity capital assets				<u>\$ 128,703,677</u>	
** Debt associated with business-type activity capital assets				<u>\$ 156,979,741</u>	

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

Long-term debt at year end comprised the following debt issues:

Governmental Activities:

Series	Original Issue	Interest Rate			Balance
General Obligation Bonds					
2003 General Obligation Refunding Bonds	\$ 9,350,320	2.00%	to	4.00%	\$ 5,624,111
2007 General Obligation Refunding Bonds	\$ 5,211,280	4.00%	to	4.12%	816,386
2011A General Obligation Refunding Bonds	\$ 6,975,000	2.00%	to	5.00%	6,880,000
2011B General Obligation Refunding Bonds	\$ 6,075,000	2.00%	to	4.00%	5,230,000
2012 General Obligation Refunding Bonds	\$ 6,785,000	2.00%	to	5.00%	6,785,000
2006 Refunding Bonds (SSH MUD #2)	\$ 2,085,000	3.90%	to	4.00%	1,815,000
Total General Obligation Bonds					27,150,497
Certificates of Obligation					
2003A Tax and Revenue Certificates of Obligation	\$ 7,500,000	2.00%	to	4.25%	2,075,000
2003B Tax and Revenue Certificates of Obligation	\$ 10,350,000	2.00%	to	4.25%	4,010,000
2003C Tax and Revenue Certificates of Obligation	\$ 3,135,000	1.50%	to	4.00%	970,000
2004A Tax and Revenue Certificates of Obligation	\$ 5,070,000	3.00%	to	5.00%	190,000
2004B Tax and Revenue Certificates of Obligation	\$ 4,675,000	3.60%	to	4.38%	1,655,000
2005A Tax and Revenue Certificates of Obligation *	\$ 8,500,000	4.00%	to	4.50%	5,305,000
2006A Tax and Revenue Certificates of Obligation	\$ 4,695,000	4.15%	to	6.00%	3,730,000
2008 Tax and Revenue Certificates of Obligation	\$ 15,500,000	4.00%	to	5.00%	14,000,000
2009 Tax and Revenue Certificates of Obligation	\$ 11,600,000	3.13%	to	5.13%	9,720,000
2010 Tax and Revenue Certificates of Obligation *	\$ 10,000,000	3.13%	to	5.13%	2,050,000
2011 Tax and Revenue Certificates of Obligation *	\$ 20,390,000	2.75%	to	4.75%	18,780,000
2012A Tax and Revenue Certificates of Obligation	\$ 33,675,000	2.00%	to	5.00%	33,675,000
Total Certificates of Obligation					96,160,000
Total Governmental Activities Long-Term Debt					\$ 123,310,497

* The repayment of all or a portion of this general obligation debt is expected to be paid from revenues other than ad valorem tax revenues, including payments from tax increment reinvestment zones and payments from the 4B Development Corporation. Payments from tax increment reinvestment zones and the 4B Development Corporation may not be legally pledged to the obligations to which their payments are expected to be dedicated, but are contractually obligated to be paid to the City for that purpose.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

Business-Type Activities:

Series	Original Issue	Interest Rate	Balance
Revenue Bonds			
2004 Water Works & Sewer System Revenue Bonds	\$ 12,790,000	3.00% to 4.50%	\$ 185,000
2005 Water Works & Sewer System Revenue Refunding Bonds	\$ 8,170,000	3.87% to 3.87%	4,765,000
2008 Water Works & Sewer System Revenue Bonds	\$ 26,775,000	4.00% to 5.00%	26,775,000
2009 Water Works & Sewer System Revenue Bonds	\$ 37,200,000	3.00% to 5.00%	37,200,000
2011 Water Works & Sewer System Revenue Bonds	\$ 13,040,000	3.00% to 4.50%	12,475,000
		Total Revenue Bonds	81,400,000
General Obligation Bonds			
2003 General Obligation Refunding Bonds *	\$ 1,969,680	2.00% to 4.00%	1,230,889
2007 General Obligation Refunding Bonds *	\$ 16,303,720	4.00% to 4.12%	4,748,614
2011A General Obligation Refunding Bonds	\$ 4,705,000	2.00% to 5.00%	4,670,000
2012 General Obligation Refunding Bonds	\$ 6,510,000	2.00% to 5.00%	6,510,000
		Total General Obligation Bonds	17,159,503
Certificates of Obligation			
2011A Tax and Revenue Certificates of Obligation	\$ 32,290,000	3.00% to 5.00%	32,290,000
2012B Tax and Revenue Certificates of Obligation	\$ 19,635,000	2.00% to 5.00%	19,635,000
		Total Certificates of Obligation	51,925,000
Contract Revenue Bonds			
2011F GCWA Contract Revenue Refunding Bonds	\$ 2,250,000	2.00% to 4.00%	2,055,000
		Total Contract Revenue Bonds	2,055,000
Total Business-Type Activities Long-Term Debt			\$ 152,539,503

* The repayment of this general obligation debt is expected to be paid from surplus revenues of the water and sewer system. Water and sewer revenues are pledged to pay certificates of obligation on a subordinate basis, but it is the historic policy of the City to pay portions of the listed general obligation refunding bonds from surplus revenues of the water and sewer system.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

The annual requirements to amortize general obligation bonds outstanding at year end were as follows:

Year Ending Sep. 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 2,979,934	\$ 1,006,599	\$ 3,986,533	\$ 2,245,066	\$ 681,378	\$ 2,926,444
2014	3,313,572	905,457	4,219,029	981,427	619,717	1,601,144
2015	2,132,497	802,956	2,935,453	797,503	586,071	1,383,574
2016	2,718,796	722,385	3,441,181	776,204	555,408	1,331,612
2017	2,438,797	620,331	3,059,128	1,481,204	513,765	1,994,969
2018	2,512,899	524,358	3,037,257	1,522,101	457,054	1,979,155
2019	1,917,001	435,495	2,352,496	1,587,999	393,755	1,981,754
2020	1,687,001	350,628	2,037,629	1,627,999	322,564	1,950,563
2021	1,175,000	281,888	1,456,888	1,120,000	256,382	1,376,382
2022	1,245,000	221,388	1,466,388	1,170,000	199,132	1,369,132
2023	1,140,000	167,913	1,307,913	995,000	147,057	1,142,057
2024	855,000	127,047	982,047	1,050,000	99,997	1,149,997
2025	900,000	88,787	988,787	1,095,000	50,312	1,145,312
2026	345,000	63,559	408,559	235,000	20,897	255,897
2027	355,000	52,325	407,325	230,000	12,907	242,907
2028	370,000	40,478	410,478	245,000	4,441	249,441
2029	200,000	31,256	231,256	-	-	-
2030	210,000	24,850	234,850	-	-	-
2031	210,000	18,156	228,156	-	-	-
2032	220,000	11,169	231,169	-	-	-
2033	225,000	3,797	228,797	-	-	-
Total	\$ 27,150,497	\$ 6,500,822	\$ 33,651,319	\$ 17,159,503	\$ 4,920,837	\$ 22,080,340

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

The annual requirements to amortize revenue bonds outstanding at year end were as follows:

Year Ending Sep. 30	Business-Type Activities		
	Principal	Interest	Total
2013	\$ 3,190,000	\$ 3,400,845	\$ 6,590,845
2014	5,120,000	3,250,654	8,370,654
2015	4,980,000	3,069,764	8,049,764
2016	4,665,000	2,896,353	7,561,353
2017	4,305,000	2,732,533	7,037,533
2018	4,135,000	2,574,981	6,709,981
2019	3,950,000	2,420,450	6,370,450
2020	3,780,000	2,269,750	6,049,750
2021	4,170,000	2,110,383	6,280,383
2022	4,000,000	1,943,201	5,943,201
2023	4,040,000	1,775,371	5,815,371
2024	3,850,000	1,606,028	5,456,028
2025	3,665,000	1,438,303	5,103,303
2026	4,455,000	1,249,053	5,704,053
2027	4,305,000	1,040,764	5,345,764
2028	4,155,000	834,706	4,989,706
2029	2,660,000	665,250	3,325,250
2030	2,735,000	530,375	3,265,375
2031	2,815,000	391,625	3,206,625
2032	2,080,000	269,250	2,349,250
2033	2,140,000	163,750	2,303,750
2034	2,205,000	55,125	2,260,125
Total	\$ 81,400,000	\$ 36,688,514	\$ 118,088,514

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

The annual requirements to amortize certificates of obligation outstanding at year end were as follows:

Year Ending Sep. 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 5,155,000	\$ 3,937,583	\$ 9,092,583	\$ 715,000	\$ 2,127,200	\$ 2,842,200
2014	4,055,000	3,765,866	7,820,866	730,000	2,112,750	2,842,750
2015	4,185,000	3,620,982	7,805,982	740,000	2,098,050	2,838,050
2016	4,355,000	3,476,965	7,831,965	760,000	2,079,250	2,839,250
2017	4,485,000	3,326,686	7,811,686	785,000	2,056,075	2,841,075
2018	5,270,000	3,150,728	8,420,728	810,000	2,032,150	2,842,150
2019	5,105,000	2,959,525	8,064,525	1,165,000	2,000,050	3,165,050
2020	5,280,000	2,752,749	8,032,749	1,525,000	1,946,300	3,471,300
2021	5,395,000	2,519,198	7,914,198	1,945,000	1,868,375	3,813,375
2022	5,565,000	2,277,423	7,842,423	2,375,000	1,769,550	4,144,550
2023	5,710,000	2,027,301	7,737,301	2,585,000	1,678,488	4,263,488
2024	5,665,000	1,766,293	7,431,293	3,030,000	1,597,875	4,627,875
2025	5,125,000	1,499,938	6,624,938	3,500,000	1,477,544	4,977,544
2026	5,310,000	1,258,410	6,568,410	3,050,000	1,325,213	4,375,213
2027	5,100,000	1,015,523	6,115,523	3,580,000	1,159,463	4,739,463
2028	5,270,000	793,321	6,063,321	4,135,000	966,588	5,101,588
2029	5,400,000	581,297	5,981,297	6,020,000	742,651	6,762,651
2030	4,290,000	369,450	4,659,450	6,360,000	463,088	6,823,088
2031	2,510,000	204,578	2,714,578	6,725,000	174,631	6,899,631
2032	2,620,000	78,141	2,698,141	1,390,000	22,588	1,412,588
2033	310,000	6,781	316,781	-	-	-
Total	\$ 96,160,000	\$ 41,388,738	\$ 137,548,738	\$ 51,925,000	\$ 29,697,879	\$ 81,622,879

The annual requirements to amortize contract revenue bonds outstanding at year end were as follows:

Year Ending Sep. 30	Business-Type Activities		
	Principal	Interest	Total
2013	\$ 205,000	\$ 64,388	\$ 269,388
2014	210,000	60,287	270,287
2015	210,000	56,088	266,088
2016	220,000	49,787	269,787
2017	225,000	43,188	268,188
2018	235,000	36,437	271,437
2019	240,000	28,800	268,800
2020	250,000	20,400	270,400
2021	260,000	10,400	270,400
Total	\$ 2,055,000	\$ 369,775	\$ 2,424,775

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities (streets, drainage, public safety, water, and wastewater) and equipment for general government and enterprise fund activities. These instruments include general obligation bonds,

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

certificates of obligation, and revenue bonds. Future ad valorem tax revenues, water and sewer system revenues, or liens on property and equipment secure these debt obligations.

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds are from taxes levied on all taxable property located within the City. The City is not obligated in any manner for special assessment debt.

Advance Refunding

During fiscal year 2012, the City issued \$13,295,000 of general obligation refunding bonds, series 2012 and contributed \$3,000,000 to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$17,340,000 consisting of \$415,000 of SSH MUD #3 1997 Refunding Bonds, \$6,125,000 of 2003B Tax and Revenue Certificates of Obligation, \$2,525,000 of 2004B Tax and Revenue Certificates of Obligation, \$1,155,000 of SSH MUD #2 2002 Tax and Revenue Bonds, and \$7,120,000 of 2004 Water Works and Sewer System Revenue Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$719,348. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next six years by \$2,931,361 and resulted in an economic gain of \$1,548,914. At September 30, 2012, \$17,340,000 of the defeased bonds were outstanding related to the refunding.

During fiscal year 2012, the City issued \$11,680,000 of general obligation refunding bonds, series 2011A to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$11,860,000 consisting of \$675,000 of 2002 General Obligation Refunding Bonds, \$2,660,000 of 2003A Tax and Revenue Certificates of Obligation, \$3,720,000 of 2004A Tax and Revenue Certificates of Obligation, \$2,150,000 of 2002 Water Works and Sewer System Revenue Bonds, and \$2,655,000 of 2004 Water Works and Sewer System Revenue Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$699,496. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next six years by \$89,365 and resulted in an economic gain of \$633,588. At September 30, 2012, \$8,585,000 of the defeased bonds were outstanding related to the refunding.

Federal Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or are not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with the rules and regulations of the IRS.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

E. Interfund Receivables and Payables

Receivable Fund	Payable Fund	Amounts
General Fund	Water and Wastewater Fund	\$ 677
General Fund	Internal Service Fund	711
General Fund	Nonmajor Governmental Funds	132,005
Debt Service	General Fund	40,702
Debt Service	Nonmajor Governmental Funds	328,127
Water and Wastewater Fund	General Fund	195
	Total	\$ 502,417

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

F. Interfund Transfers

Transfers between the primary government funds during the year were as follows:

Transfer Out	Transfer In	Amounts
General Fund	Debt Service Fund	\$ 3,500,000
General Fund	Nonmajor Governmental Funds	2,679,220
General Fund	Internal Service Fund	163,500
Water and Wastewater Fund	Nonmajor Governmental Funds	240,000
Water and Wastewater Fund	General Fund	2,000,000
	Total	\$ 8,582,720

The general fund made transfers to nonmajor governmental funds to provide financing for miscellaneous capital projects and to the internal service fund to fund the motor pool. The general fund made transfers to the debt service fund to fund principal and interest payments related to the issuance of new debt. The water and wastewater fund provided monies to the general fund for reimbursement of administrative costs related to the support of the water and wastewater system and to the nonmajor governmental funds for technology related purchases.

G. Restricted Assets

As of September 30, 2012, the City held restricted cash and investments in the water and wastewater fund for the following purposes:

Restricted for:	
Customer deposits	\$ 657,228
Capital projects	98,765,033
Debt service	6,494,796
Total	\$ 105,917,057

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

H. Restatement of Net Position

In the fiscal year ending September 30, 2012, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. In accordance with this statement, beginning net position of the governmental and business-type activities have been reduced by \$949,319 and \$1,599,139, respectively, to remove previously capitalized bond issuance costs.

In addition, beginning net position of the business-type activities has been increased by \$695,004 in order to record a cash reserve balance which should have been recorded in the prior year.

See below for a reconciliation of changes in beginning net position:

	Governmental Activities	Business-Type Activities
Beginning net position	\$ 178,934,798	\$ 154,108,017
Restatement - bond issuance costs	(949,319)	(1,599,139)
Restatement - cash reserve account	-	695,004
Beginning net position - restated	<u>177,985,479</u>	<u>153,203,882</u>

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,617 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in several lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that resolution of these matters will not have a material adverse effect of the financial condition of the City.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

C. Pension Plans

Texas Municipal Retirement System

Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and RSI for TMRS. The report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by TMRS. This report may be obtained from TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>2012</u>	<u>2011</u>
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100%	100%
	Repeating, Transfers	Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Benefits

Upon retirement, benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit. This is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence, and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

contributions, with interest, and the employer-financed monetary credits, with interest, were used to purchase an annuity.

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 30-year amortization period. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits such as Updated Service Credits and Annuity Increases.

The City contributes to TMRS at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and the net pension obligation (asset) are as follows:

Annual required contribution (ARC)	\$ 3,782,542
Interest on Net Pension Obligation (NPO)	106,457
Adjustment to the ARC	(91,510)
Annual Pension Cost (APC)	<u>3,797,489</u>
Contributions made	<u>(3,474,304)</u>
Increase in NPO	323,185
NPO - beginning of year	<u>1,520,809</u>
NPO - end of year	<u><u>\$ 1,843,994</u></u>

Three-year trend information for the annual pension cost (APC) is as follows:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2010	\$ 3,796,609	\$ 3,236,102	85.24%	\$ 909,386
2011	\$ 4,180,161	\$ 3,568,738	85.37%	\$ 1,520,809
2012	\$ 3,797,489	\$ 3,474,304	91.49%	\$ 1,843,994

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarial Valuation Date	12/31/2011	12/31/2010	12/31/2009
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level % of Payroll	Level % of Payroll	Level % of Payroll
GASB 25 Equivalent Single	26.2 Years - closed	27.2 Years - closed	28.1 Years - closed
Amortization Period	period	period	period
Amortization Period for New			
Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year smoothed	10-year smoothed	10-year smoothed
	market	market	market
Investment Rate of Return	7.00%	7.00%	7.50%
Projected Salary Increases	Varies by age and	Varies by age and	Varies by age and
	service	service	service
Includes Inflation at	3.00%	3.00%	3.00%
Cost of Living Adjustments	2.10%	2.10%	2.10%

The funded status as of December 31, 2011, the most recent actuarial valuation date, is presented as follows:

	<u>2012</u>
Actuarial Valuation Date	12/31/2011
Actuarial Value of Assets	\$ 67,192,944
Actuarial Accrued Liability	\$ 86,545,914
Percentage Funded	77.6%
Unfunded Actuarial Accrued	
Liability (UAAL)	\$ 19,352,970
Annual Covered Payroll	\$ 25,322,107
UAAL as a Percentage of	
Covered Payroll	76.4%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

D. Other Post Employment Benefits

1. TMRS Supplemental Death Benefit Fund

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post employment benefit," or OPEB. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund. For the year ended September 30, 2012, the City offered the supplemental death benefit to both active and retired employees.

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF, for the fiscal years ended 2012, 2011, and 2010 were \$5,022, \$5,173, and \$4,685, respectively. The City's contribution rates for the past three years are shown below:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual Req. Contrib. (Rate)	0.02%	0.02%	0.02%
Actual Contribution Made	0.02%	0.02%	0.02%
Percentage of ARC Contrib.	100.00%	100.00%	100.00%

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

2. Post Employment Healthcare Plan

Plan Description

The City administers a single-employer defined benefit OPEB plan, known as the Retiree Medical Program (the "Program"). The Program offers medical and dental insurance benefits to eligible retirees and their spouses. Retiree medical coverage levels for retirees are the same as coverage provided to active City employees. Upon the death of the retiree, the spouse is eligible for COBRA.

Employees are eligible for retiree health benefits if they retire at the age of 60 or older with at least five years of service from the City, at least ten years of combined service with other municipalities and are also eligible for a pension from TMRS. Employees with twenty years of service may retire at any age. The City contributes up to 100 percent of the monthly premium for retirees that are age 60 with twenty years of service with the City. Employees eligible to retire under TMRS as a disability retiree if they have worked with the City for a minimum of five years and have at least ten years of combined service with all municipalities are eligible for a portion of their health insurance based on their age. For employees who become disabled prior to eligibility for retirement, retiree medical benefits are not available. The City requires retirees to enroll in Medicare once eligible. The City does not provide Medicare Supplemental Health Benefits coverage after the date that person becomes eligible for Medicare benefits.

Funding Policy

The City has elected to subsidize premiums for the Program and funding is provided on a pay-as-you-go basis.

Annual OPEB Cost

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The City had its first OPEB actuarial valuation performed for the fiscal year beginning October 1, 2008 as required by GASB. The following table shows the components of the City's annual OPEB cost of the year, the amount actually contributed to the Program, and the City's net OPEB obligation.

Annual Req. Contrib. (ARC)	\$ 235,233
Interest on OPEB Obligation	19,445
Adjustments to ARC	<u>(18,016)</u>
End of Year Annual OPEB Cost (Expense)	236,662
Net Estimated Employer Contributions	<u>(119,808)</u>
Increase in Net OPEB Obligation	116,854
Net OPEB Obligation (Asset) - beginning of year	432,104
Net OPEB Obligation (Asset) - end of year	<u><u>\$ 548,958</u></u>

A separate audited GAAP basis post employment benefit plan report is not available.

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Program, and the net OPEB obligation for 2012 and the two preceding years are as follows:

Fiscal Year	Annual OPEB Cost (ARC)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	
			Beginning	Ending
2010	\$ 224,357	36.29%	\$ 178,262	\$ 307,380
2011	\$ 229,399	45.63%	\$ 307,380	\$ 432,104
2012	\$ 236,662	50.60%	\$ 432,104	\$ 548,958

Funded Status and Funding Progress

As of December 31, 2009, the most recent actuarial valuation date, the Program was zero percent funded. The actuarial accrued liability for benefits was \$2,082,379, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,082,379. The annual covered payroll at December 31, 2009 was \$22,877,988 and the UAAL as a percentage of the annual covered payroll was 9.1 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Program and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following is a summary of the actuarial assumptions:

Inflation Rate	3.00% per annum
Investment Rate of Return	4.5%, net of expenses
Actuarial Cost Method	Projected unit credit
Amortization Method	Level as a percentage of employee payroll
Remaining Amortization Period	30 years - Open period
Asset Valuation Method	Market value
Salary Growth	3.00% per annum
Healthcare Cost Trend Rate (Initial/Ultimate)	9.0% / 4.5%

CITY OF LEAGUE CITY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2012

E. Contracts

Summaries of the City's significant contracts are as follows:

1. Municipal Utility Districts

The City has entered into utility agreements with several Municipal Utility Districts (MUDs) whose boundaries overlap the boundaries of the City. The MUDs construct water, sanitary sewer, and drainage facilities to serve the areas within the MUDs and issue bonds to finance such facilities. The MUDs release their security interests in the facilities to the City, and the City operates and maintains the systems.

2. Galveston County Water Control and Improvement District No. One

The City entered into an agreement dated March 10, 1983 with Galveston County Water Control and Improvement District No. One (the "District") providing for an inter-connect to be built between the City and the District by the Gulf Coast Water Authority. The City agreed to buy one million gallons of water per day on a take-or-pay basis. Under a revised water supply agreement effective January 1, 1987, the annual volume of water to be paid for by the City on a take-or-pay basis was reduced to a minimum of 150,000 gallons per day, to be adjusted annually to an amount equal to the prior year's average usage, but not to exceed one million gallons per day. The cost to the City will vary depending on the cost to the District to fulfill its obligation. On December 8, 2009, the water supply agreement was revised to adjust the price and the obligation for delivery of water. GCWA shall sell and deliver 150,000 gallons per day of water with a maximum of 1,000,000 gallons per day provided GCWA has excess water available, or for emergency use only.

3. Gulf Coast Water Authority – Water System Improvements

The City entered into an agreement with the Gulf Coast Water Authority (GCWA) on September 8, 1998 providing for the construction of water system improvements and issuance of GCWA contract bonds to finance the construction. The water system improvement included a transmission system to deliver 2,000,000 gallons per day to the City from the Thomas Mackey Water Treatment Plant. The City is considered the owner of the assets and, as provided in the agreement, makes periodic payments to GCWA to service the debt.

4. Gulf Coast Water Authority – Water Capacity Contract

The City has entered into a long-term cost sharing contract with the Gulf Coast Water Authority (GCWA) to finance the expansion of the Houston Southeast Water Purification Plant. This twice amended water supply contract provides that GCWA reserve treatment and distribution capacity of 23.5 million gallons per day for the City.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (Page 1 of 2)

GENERAL FUND

For the Year Ended September 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Budget as Amended	Actual	
<u>Revenues</u>				
Ad valorem taxes	\$ 20,169,800	\$ 20,169,800	\$ 19,710,116	\$ (459,684)
Sales taxes	11,106,000	11,106,000	12,283,836	1,177,836
Franchise fees	4,728,000	4,728,000	4,637,436	(90,564)
Licenses and permits	1,721,000	1,721,000	2,125,034	404,034
Fines and forfeitures	2,037,000	2,037,000	1,724,216	(312,784)
Charges for services	4,538,500	4,538,500	4,635,264	96,764
Other	204,600	210,600	235,228	24,628
Investment earnings	52,000	52,000	33,325	(18,675)
Intergovernmental	1,048,400	1,048,400	1,185,754	137,354
Total Revenues	45,605,300	45,611,300	46,570,209	958,909
<u>Expenditures</u>				
Current:				
General government:				
Economic development	190,020	175,420	150,862	24,558
Budget office	386,230	316,230	288,306	27,924
City secretary	362,720	307,720	300,924	6,796
City manager	654,410	642,410	639,587	2,823
Information technology	1,775,600	1,780,600	1,756,006	24,594
City attorney	550,000	1,122,000	1,121,387	613
Accounting	1,116,010	1,136,510	1,110,134	26,376
Mayor and City council	188,160	188,160	140,166	47,994
Civil service	79,030	80,030	79,808	222
Municipal court	583,680	599,681	589,121	10,560
Human resources	1,015,254	987,254	966,437	20,817
Facilities maintenance	1,621,237	1,668,235	1,667,992	243
Purchasing	262,900	262,900	259,592	3,308
Non-departmental	1,612,449	1,626,099	1,532,745	93,354
Total General Government	10,397,700	10,893,249	10,603,067	290,182
Public safety:				
Emergency management	334,755	354,256	350,120	4,136
Police	14,885,676	14,842,276	14,740,271	102,005
Animal control	578,222	548,222	491,415	56,807
Fire marshal	482,877	487,377	481,761	5,616
Fire	1,297,833	1,387,483	1,381,686	5,797
EMS	2,219,635	2,451,235	2,450,378	857
Drill field	56,400	97,400	77,906	19,494
Total Public Safety	19,855,398	20,168,249	19,973,537	194,712

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (Page 2 of 2)
GENERAL FUND

For the Year Ended September 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Budget as Amended	Actual	
Public works:				
Building inspection	\$ 966,400	\$ 1,083,500	\$ 1,083,429	\$ 71
Public works administration	633,940	615,940	615,740	200
Engineering	710,670	680,670	677,189	3,481
Street and storm water	4,381,573	4,563,573	4,563,190	383
Code enforcement	473,594	473,594	403,593	70,001
Traffic and transportation	589,880	829,680	775,335	54,345
Solid waste	2,845,000	2,805,000	2,855,104	(50,104)
Planning	988,750	853,750	850,155	3,595
Total Public Works	11,589,807	11,905,707	11,823,735	81,972
Community services:				
Library	2,024,643	1,936,243	1,894,256	41,987
Parks recreation	652,570	660,470	576,337	84,133
Sportsplex operations	364,157	359,057	338,911	20,146
Sportsplex administration	170,550	130,550	109,398	21,152
Parks planning	250,590	246,590	235,682	10,908
Parks operation	1,075,999	1,077,999	1,041,524	36,475
Total Community Services	4,538,509	4,410,909	4,196,108	214,801
Total Expenditures	46,381,414	47,378,114	46,596,447	781,667
Revenues Over (Under) Expenditures	(776,114)	(1,766,814)	(26,238)	1,740,576
Other Financing Sources (Uses)				
Transfers in	2,000,000	2,000,000	2,000,000	-
Transfers (out)	(2,018,500)	(6,342,720)	(6,342,720)	-
Total Other Financing Sources (Uses)	(18,500)	(4,342,720)	(4,342,720)	-
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ (794,614)	\$ (6,109,534)	(4,368,958)	\$ 1,740,576
Beginning fund balance			20,725,877	
Ending Fund Balance			\$ 16,356,919	

Notes to Required Supplementary Information (RSI):

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

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CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF FUNDING PROGRESS
TEXAS MUNICIPAL RETIREMENT SYSTEM

The City's annual covered payroll and pension costs are actuarially valued on a calendar year basis. The information presented below represents the City's Schedule of Funding Progress.

Fiscal Year	2010	2011	2012
Actuarial Valuation Date	12/31/2009	12/31/2010	12/31/2011
Actuarial Value of Assets	\$ 41,885,807	\$ 59,887,993	\$ 67,192,944
Actuarial Accrued Liability	\$ 62,670,192	\$ 79,487,232	\$ 86,545,914
Percentage Funded	66.8%	75.3%	77.6%
Unfunded Actuarial			
Accrued Liability	\$ 20,784,385	\$ 19,599,239	\$ 19,352,970
Annual Covered Payroll	\$ 22,446,677	\$ 23,788,127	\$ 25,322,107
Unfunded Actuarial Accrued Liability			
(UAAL) % of Covered Payroll	92.6%	82.4%	76.4%
Net Pension Obligation (NPO)			
at the Beginning of Period	\$ 348,879	\$ 909,386	\$ 1,520,809
Annual Pension Cost (APC)	3,796,609	4,180,161	3,797,489
Contributions Made	3,236,102	3,568,738	3,474,304
NPO at the End of Period	\$ 909,386	\$ 1,520,809	\$ 1,843,994

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF FUNDING PROGRESS
POST EMPLOYMENT HEALTHCARE BENEFITS¹
For the Year Ended September 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/07	\$ -	\$ 1,975,890	\$ 1,975,890	0%	\$18,330,457	11%
12/31/09	\$ -	\$ 2,082,379	\$ 2,082,379	0%	\$22,877,988	9.1%

¹ 2009 was the first year the City was required to implement GASB Statement No. 45 and the requirements have been implemented prospectively; therefore, the above illustration does not reflect similar information for the preceding years.

***COMBINING STATEMENTS
AND SCHEDULES***

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes.

The **Police Activity Fund** is used to account for funds donated for the community outreach program and criminal investigation purposes. Various purchases including supplies, equipment, and other services are made from these funds. The League City Police Department administers the funds of these programs.

The **Municipal Court Building Security Fund** is used to account for fees collected for future improvements to the security of the court facilities.

The **Municipal Court Technology Fund** is used to account for fees collected for future improvements to the technology of the court facilities.

The **Library Gift Fund** is used to account for donated funds to be used specifically for the purchase of special items not covered by the library's general operating budget.

The **Hotel Occupancy Tax Fund** is used to account for the hotel occupancy tax revenues. Tax revenues are used to promote tourism and the convention and hotel industries as defined in subchapter B of chapter 351 of the Tax Code. Destination League City Convention and Visitors Corporation has been dissolved and the City has taken over management of the fund.

The **Escrow Fund - Park Facilities Maintenance** is used to account for fees of \$1,000 per living unit paid by developers in lieu of dedication of park or recreation areas. Funds collected within this fund are to be used specifically for park facilities and maintenance at the discretion of the City Council.

The **City Sidewalk Fund** is used to account for fees paid by developers in lieu of building or installing sidewalks. Funds collected within this fund are to be used specifically for sidewalk improvements at the discretion of the City Council.

The **Emergency Management Response Fund** is used to account for funds designated to improve the City's emergency preparedness and response.

The **Butler Longhorn Museum Donation Fund** is used to account for funds donated specifically for the support of Heritage Park. Funds would typically be used for park improvements.

The **Animal Control Donation Fund** is used to account for funds donated specifically for the support of the animal control shelter. Donated funds would typically be used for veterinary services, food for animals, and educational materials.

The **CDBG Fund** is used to account for the distribution of funds received from the Community Development Block Grant. These funds are to be used to improve living conditions for low to moderate income residents.

NONMAJOR GOVERNMENTAL FUNDS, Continued

The **Energy Efficiency Grant Fund** is used to account for grant funds received from the federal government for the purchase of energy efficient vehicles, equipment, and building improvements.

The **Safelight Program Fund** is used to account for the fees received from red light ticket cameras. These funds are to be used for public safety related items designated by the City Council.

The **Public Access Channel Fund** is used to account for fees received from cable television franchise fees received by the City. These funds are used for improvements and equipment related to the City's public access channel. It is a legal requirement that these funds be spent to improve the City's public access channel.

The **Right of Way Fund** is used to account for funds received from or reserved for purchase of public right of way.

The **Tax Increment Financing Zone No. One Fund** is used to account for funds remaining after dissolution of the district on August 14, 2010. Funds will be used to complete certain infrastructure improvements within the reinvestment zone, as provided in the original project plan.

The **Tax Increment Financing Zone No. Two Fund** is used to account for funds received as a result of the creation of this zone for the purpose of developing a master planned community and business park within the boundaries of the City.

The **Tax Increment Financing Zone No. Three Fund** is used to account for funds received as a result of the creation of this zone for the purpose of developing a master planned community and business park within the boundaries of the City.

The **Tax Increment Financing Zone No. Four Fund** is used to account for funds received as a result of the creation of this zone for the purpose of developing a master planned community and business park within the boundaries of the City.

The **Public Improvement District No. One Fund** is used to account for special assessments collected in connection with the District to finance the residential cost of a master planned community.

The **Public Improvement District No. Two Fund** is used to account for special assessments collected in connection with the District to finance the residential cost of a master planned community.

The **Public Improvement District No. Three Fund** is used to account for special assessments collected in connection with the District to finance the residential cost of a master planned community.

The **Public Improvement District No. Five Fund** is used to account for special assessments collected in connection with the District to finance the residential cost of a master planned community.

The **Severe Repetitive Loss (SRL) Grant Fund** is used to account for funds received from the federal government to provide funding to reduce or eliminate the long-term risk of flood damage to SRL structures insured under the National Flood Insurance Program.

NONMAJOR GOVERNMENTAL FUNDS, Continued

The **South Shore Harbour (SSH) MUD #3 Fund** is used to account for funds received as a result of the dissolution of SSH Municipal Utility District #3. Funds will be utilized in whole or in part for capital or permanent improvements inside the boundaries of the District.

The **South Shore Harbour (SSH) MUD #2 Fund** is used to account for funds received as a result of the dissolution of SSH Municipal Utility District #2. Funds will be utilized in whole or in part for capital or permanent improvements inside the boundaries of the District.

The **4B Industrial Development Maintenance Fund** is used to account for the City's contract with the 4B Corporation regarding the use of 4B sales tax monies paid to the City and to account for revenues and expenses associated with the operations and debt service for improvements in the Eastern Regional Park.

Capital Projects Funds

Capital projects funds account for financial resources used for the acquisition and/or construction of major capital improvements other than those financed by proprietary funds.

The **Technology Fund** is used to account for the one time purchase of technology related hardware, software, and other services.

The **Miscellaneous Capital Projects Fund** is used to account for miscellaneous capital projects designated by City Council.

The **Special Assessments Fund** is used to account for the receipt of special assessments and the expenditures of such funds to improve Oak Street, Fenwood Street, Tallow Forest Street, Arkansas Street, Alaska Street, and Second Street.

The **2003A Certificates of Obligation Fund** is used to account for the acquisition, construction, and equipping of public safety, streets, drainage, and park facilities.

The **2006 Certificates of Obligation Fund** is used to account for the acquisition, construction, and extension of street improvements, firefighting equipment, and related projects.

The **2008 Certificates of Obligation Fund** is used to account for the acquisition, construction, and extension of street improvements, firefighting equipment, and related projects.

The **2009 Certificates of Obligation Fund** is used to account for the acquisition, construction, and extension of street improvements, firefighting equipment, and related projects.

The **2011 Certificates of Obligation Fund** is used to account for the design, construction, and equipping for a new police station and jail; renovation, improvement, and equipping of City Hall; acquisition, construction, and equipping of park facilities; construction and improvement of streets and drainage; and acquisition of firefighting equipment and facilities.

The **2011 Certificates of Obligation - 4B Fund** is used to account for the acquisition, construction, and equipping of park facilities, including specifically the Eastern Regional Park.

CITY OF LEAGUE CITY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 4)
September 30, 2012

Special Revenue Funds				
	Police Activity	Municipal Court Building Security	Municipal Court Technology	Library Gift
Assets				
Cash and cash equivalents	\$ 174,536	\$ 79,156	\$ 17,178	\$ 23,206
Due from component unit	-	-	-	-
Receivables, net	-	-	-	-
Total Assets	\$ 174,536	\$ 79,156	\$ 17,178	\$ 23,206
Liabilities				
Accounts payable	\$ 32,050	\$ 1,491	\$ 3,176	\$ -
Due to other funds	-	-	-	-
Total Liabilities	32,050	1,491	3,176	-
Deferred Inflows of Resources				
Unavailable revenue	-	-	-	-
Fund Balances				
Restricted for:				
Enabling legislation	-	77,665	14,002	-
Emergency management	-	-	-	-
Public access channel	-	-	-	-
Grants	-	-	-	-
Tax increment reinvestment zone	-	-	-	-
Public improvement district	-	-	-	-
Capital projects	-	-	-	-
Assigned to:				
Special revenue funds	142,486	-	-	23,206
Capital project funds	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	142,486	77,665	14,002	23,206
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 174,536	\$ 79,156	\$ 17,178	\$ 23,206

Special Revenue Funds

<u>Hotel Occupancy Tax</u>	<u>Escrow-Park Facilities Maintenance</u>	<u>City Sidewalk</u>	<u>Emergency Management Response</u>	<u>Butler Museum</u>	<u>Animal Control</u>
\$ 483,039	\$ 2,212,932	\$ 139,336	\$ 94,819	\$ -	\$ 38,585
-	-	-	-	-	-
101,580	30,710	-	126,561	-	-
<u>\$ 584,619</u>	<u>\$ 2,243,642</u>	<u>\$ 139,336</u>	<u>\$ 221,380</u>	<u>\$ -</u>	<u>\$ 38,585</u>
\$ 23,137	\$ 18,494	\$ -	\$ 1,440	\$ -	\$ -
-	-	-	-	-	-
23,137	18,494	-	1,440	-	-
-	-	-	-	-	-
561,482	-	-	-	-	-
-	-	-	219,940	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	2,225,148	139,336	-	-	38,585
-	-	-	-	-	-
-	-	-	-	-	-
<u>561,482</u>	<u>2,225,148</u>	<u>139,336</u>	<u>219,940</u>	<u>-</u>	<u>38,585</u>
<u>\$ 584,619</u>	<u>\$ 2,243,642</u>	<u>\$ 139,336</u>	<u>\$ 221,380</u>	<u>\$ -</u>	<u>\$ 38,585</u>

CITY OF LEAGUE CITY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 4)
September 30, 2012

Special Revenue Funds				
	CDBG	Energy Efficiency Grant	Safelight Program	Public Access Channel
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 567,166	\$ 407,502
Due from component unit	-	-	-	-
Receivables, net	3,983	-	59,997	50,269
Total Assets	\$ 3,983	\$ -	\$ 627,163	\$ 457,771
Liabilities				
Accounts payable	\$ 3,983	\$ -	\$ 418,888	\$ 9,681
Due to other funds	-	-	-	-
Total Liabilities	3,983	-	418,888	9,681
Deferred Inflows of Resources				
Unavailable revenue	-	-	-	-
Fund Balances				
Restricted for:				
Enabling legislation	-	-	-	-
Emergency management	-	-	-	-
Public access channel	-	-	-	448,090
Grants	-	-	-	-
Tax increment reinvestment zone	-	-	-	-
Public improvement district	-	-	-	-
Capital projects	-	-	-	-
Assigned to:				
Special revenue funds	-	-	208,275	-
Capital project funds	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	-	-	208,275	448,090
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,983	\$ -	\$ 627,163	\$ 457,771

Special Revenue Funds

Right of Way	Tax Increment Financing Zone No. One	Tax Increment Financing Zone No. Two	Tax Increment Financing Zone No. Three	Tax Increment Financing Zone No. Four	Public Improvement District No. One
\$ 147,765	\$ 2,442,002	\$ 765,382	\$ 763	\$ 259,893	\$ 47,434
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 147,765</u>	<u>\$ 2,442,002</u>	<u>\$ 765,382</u>	<u>\$ 763</u>	<u>\$ 259,893</u>	<u>\$ 47,434</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,318
-	-	-	52,500	-	-
-	-	-	52,500	-	10,318
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	2,442,002	765,382	-	259,893	-
-	-	-	-	-	37,116
-	-	-	-	-	-
147,765	-	-	-	-	-
-	-	-	-	-	-
-	-	-	(51,737)	-	-
<u>147,765</u>	<u>2,442,002</u>	<u>765,382</u>	<u>(51,737)</u>	<u>259,893</u>	<u>37,116</u>
<u>\$ 147,765</u>	<u>\$ 2,442,002</u>	<u>\$ 765,382</u>	<u>\$ 763</u>	<u>\$ 259,893</u>	<u>\$ 47,434</u>

CITY OF LEAGUE CITY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Page 3 of 4)
September 30, 2012

Special Revenue Funds				
	Public Improvement District No. Two	Public Improvement District No. Three	Public Improvement District No. Five	Severe Repetitive Loss (SRL) Grant
Assets				
Cash and cash equivalents	\$ 40,075	\$ 12,013	\$ 26,182	\$ 5,061
Due from component unit	-	-	-	-
Receivables, net	-	-	-	319,442
Total Assets	\$ 40,075	\$ 12,013	\$ 26,182	\$ 324,503
Liabilities				
Accounts payable	\$ 23,733	\$ 1,175	\$ 19,481	\$ -
Due to other funds	-	-	-	79,505
Total Liabilities	23,733	1,175	19,481	79,505
Deferred Inflows of Resources				
Unavailable revenue	-	-	-	-
Fund Balances				
Restricted for:				
Enabling legislation	-	-	-	-
Emergency management	-	-	-	-
Public access channel	-	-	-	-
Grants	-	-	-	244,998
Tax increment reinvestment zone	-	-	-	-
Public improvement district	16,342	10,838	6,701	-
Capital projects	-	-	-	-
Assigned to:				
Special revenue funds	-	-	-	-
Capital project funds	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	16,342	10,838	6,701	244,998
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 40,075	\$ 12,013	\$ 26,182	\$ 324,503

Special Revenue Funds			Capital Project Funds		
South Shore Harbour (SSH) Mud #3	South Shore Harbour (SSH) Mud #2	4B Industrial Development Maintenance	Technology Fund	Miscellaneous Capital Projects	Special Assessments
\$ 146,175	\$ 1,326,537	\$ 505,250	\$ 803,962	\$ 1,077,296	\$ -
-	-	255,472	-	-	-
1,983	477	-	-	-	16,395
<u>\$ 148,158</u>	<u>\$ 1,327,014</u>	<u>\$ 760,722</u>	<u>\$ 803,962</u>	<u>\$ 1,077,296</u>	<u>\$ 16,395</u>
\$ -	\$ -	\$ 14,632	\$ 35,590	\$ 105,261	\$ -
-	328,127	-	-	-	-
-	328,127	14,632	35,590	105,261	-
1,983	462	-	-	-	16,395
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
146,175	998,425	746,090	-	-	-
-	-	-	768,372	972,035	-
-	-	-	-	-	-
<u>146,175</u>	<u>998,425</u>	<u>746,090</u>	<u>768,372</u>	<u>972,035</u>	<u>-</u>
<u>\$ 148,158</u>	<u>\$ 1,327,014</u>	<u>\$ 760,722</u>	<u>\$ 803,962</u>	<u>\$ 1,077,296</u>	<u>\$ 16,395</u>

CITY OF LEAGUE CITY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Page 4 of 4)
September 30, 2012

Capital Project Funds				
	Certificates of Obligation 2003A	Certificates of Obligation 2006	Certificates of Obligation 2008	Certificates of Obligation 2009
Assets				
Cash and cash equivalents	\$ 13,404	\$ 238,656	\$ 4,926,953	\$ 9,835,412
Due from component unit	-	-	-	-
Receivables, net	-	-	-	-
Total Assets	\$ 13,404	\$ 238,656	\$ 4,926,953	\$ 9,835,412
Liabilities				
Accounts payable	\$ -	\$ -	\$ 372,750	\$ 105,648
Due to other funds	-	-	-	-
Total Liabilities	-	-	372,750	105,648
Deferred Inflows of Resources				
Unavailable revenue	-	-	-	-
Fund Balances				
Restricted for:				
Enabling legislation	-	-	-	-
Emergency management	-	-	-	-
Public access channel	-	-	-	-
Grants	-	-	-	-
Tax increment reinvestment zone	-	-	-	-
Public improvement district	-	-	-	-
Capital projects	13,404	238,656	4,554,203	9,729,764
Assigned to:				
Special revenue funds	-	-	-	-
Capital project funds	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	13,404	238,656	4,554,203	9,729,764
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 13,404	\$ 238,656	\$ 4,926,953	\$ 9,835,412

<u>Capital Project Funds</u>		
<u>Certificates of Obligation 2011</u>	<u>Certificates of Obligation 2011 - 4B</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 3,224,137	\$ 300,456	\$ 30,382,263
-	-	255,472
-	-	711,397
<u>\$ 3,224,137</u>	<u>\$ 300,456</u>	<u>\$ 31,349,132</u>
\$ 401,391	\$ 472,841	\$ 2,075,160
-	-	460,132
<u>401,391</u>	<u>472,841</u>	<u>2,535,292</u>
-	-	18,840
-	-	653,149
-	-	219,940
-	-	448,090
-	-	244,998
-	-	3,467,277
-	-	70,997
2,822,746	-	17,358,773
-	-	4,815,491
-	-	1,740,407
-	(172,385)	(224,122)
<u>2,822,746</u>	<u>(172,385)</u>	<u>28,795,000</u>
<u>\$ 3,224,137</u>	<u>\$ 300,456</u>	<u>\$ 31,349,132</u>

CITY OF LEAGUE CITY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 4)
For the Year Ended September 30, 2012

Special Revenue Funds				
	Police Activity	Municipal Court Building Security	Municipal Court Technology	Library Gift
<u>Revenues</u>				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Franchise fees	-	-	-	-
Other taxes	-	-	-	-
Special assessments	-	-	-	-
Fines and forfeitures	50,833	33,819	45,207	-
Charges for services	-	-	-	-
Investment earnings	86	124	19	33
Intergovernmental	-	-	-	-
Contributions	-	-	-	-
Other revenue	100	-	-	85
Total Revenues	51,019	33,943	45,226	118
<u>Expenditures</u>				
General government	-	-	-	-
Public safety	25,072	107,806	66,350	-
Public works	-	-	-	-
Community services	-	-	-	16,361
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	25,072	107,806	66,350	16,361
Revenues Over (Under)				
Expenditures	25,947	(73,863)	(21,124)	(16,243)
<u>Other Financing Sources (Uses)</u>				
Bond issuance	-	-	-	-
Premium on bond issuance	-	-	-	-
Transfers in	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	25,947	(73,863)	(21,124)	(16,243)
Beginning fund balances	116,539	151,528	35,126	39,449
Ending Fund Balances	\$ 142,486	\$ 77,665	\$ 14,002	\$ 23,206

Special Revenue Funds

Hotel Occupancy Tax	Escrow-Park Facilities Maintenance	City Sidewalk	Emergency Management Response	Butler Museum	Animal Control
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
348,625	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
487	2,473	150	203	1	35
-	37,876	-	-	-	-
-	-	-	-	-	-
-	192,000	6,325	-	-	8,239
349,112	232,349	6,475	203	1	8,274
-	-	-	-	-	-
-	-	-	115,769	-	36,041
-	-	-	-	-	-
243,338	318,833	-	-	3,384	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
243,338	318,833	-	115,769	3,384	36,041
105,774	(86,484)	6,475	(115,566)	(3,383)	(27,767)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
105,774	(86,484)	6,475	(115,566)	(3,383)	(27,767)
455,708	2,311,632	132,861	335,506	3,383	66,352
\$ 561,482	\$ 2,225,148	\$ 139,336	\$ 219,940	\$ -	\$ 38,585

CITY OF LEAGUE CITY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 4)
For the Year Ended September 30, 2012

Special Revenue Funds				
	CDBG	Energy Efficiency Grant	Safelight Program	Public Access Channel
<u>Revenues</u>				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Franchise fees	-	-	-	198,795
Other taxes	-	-	-	-
Special assessments	-	-	-	-
Fines and forfeitures	-	-	1,428,790	-
Charges for services	-	-	-	-
Investment earnings	-	-	564	471
Intergovernmental	73,527	77,677	-	-
Contributions	-	-	-	-
Other revenue	-	-	-	-
Total Revenues	73,527	77,677	1,429,354	199,266
<u>Expenditures</u>				
General government	-	77,677	-	-
Public safety	-	-	1,653,127	-
Public works	-	-	-	-
Community services	73,527	-	-	176,647
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	73,527	77,677	1,653,127	176,647
Revenues Over (Under)				
Expenditures	-	-	(223,773)	22,619
<u>Other Financing Sources (Uses)</u>				
Bond issuance	-	-	-	-
Premium on bond issuance	-	-	-	-
Transfers in	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	(223,773)	22,619
Beginning fund balances	-	-	432,048	425,471
Ending Fund Balances	\$ -	\$ -	\$ 208,275	\$ 448,090

Special Revenue Funds

Right of Way	Tax Increment Financing Zone No. One	Tax Increment Financing Zone No. Two	Tax Increment Financing Zone No. Three	Tax Increment Financing Zone No. Four	Public Improvement District No. One
\$ -	\$ -	\$ 4,234,783	\$ 907,129	\$ 52,712	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,172,202
-	-	-	-	-	-
-	-	-	-	-	-
208	2,719	6,003	15,715	236	263
-	-	-	-	-	-
-	-	-	-	-	-
50,873	-	-	-	-	-
<u>51,081</u>	<u>2,719</u>	<u>4,240,786</u>	<u>922,844</u>	<u>52,948</u>	<u>1,172,465</u>
150,000	-	-	-	-	-
-	-	-	-	-	-
-	-	405,158	6,416,608	1,873	1,135,351
-	-	-	-	-	-
-	-	-	-	-	-
-	-	6,850,000	845,000	-	-
-	-	509,144	234,236	-	-
<u>150,000</u>	<u>-</u>	<u>7,764,302</u>	<u>7,495,844</u>	<u>1,873</u>	<u>1,135,351</u>
<u>(98,919)</u>	<u>2,719</u>	<u>(3,523,516)</u>	<u>(6,573,000)</u>	<u>51,075</u>	<u>37,114</u>
-	-	-	6,075,000	-	-
-	-	-	445,373	-	-
-	-	-	-	-	-
-	-	-	6,520,373	-	-
<u>(98,919)</u>	<u>2,719</u>	<u>(3,523,516)</u>	<u>(52,627)</u>	<u>51,075</u>	<u>37,114</u>
<u>246,684</u>	<u>2,439,283</u>	<u>4,288,898</u>	<u>890</u>	<u>208,818</u>	<u>2</u>
<u>\$ 147,765</u>	<u>\$ 2,442,002</u>	<u>\$ 765,382</u>	<u>\$ (51,737)</u>	<u>\$ 259,893</u>	<u>\$ 37,116</u>

CITY OF LEAGUE CITY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Page 3 of 4)
For the Year Ended September 30, 2012

	Special Revenue Funds			
	Public Improvement District No. Two	Public Improvement District No. Three	Public Improvement District No. Five	Severe Repetitive Loss (SRL) Grant
<u>Revenues</u>				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Franchise Fees	-	-	-	-
Other taxes	-	-	-	-
Special assessments	758,178	513,224	472,975	-
Fines and forfeitures	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	121	77	66	-
Intergovernmental	-	-	-	699,265
Contributions	-	-	-	-
Other revenue	-	-	-	-
Total Revenues	758,299	513,301	473,041	699,265
<u>Expenditures</u>				
General government	-	-	-	627,756
Public safety	-	-	-	-
Public works	746,817	502,791	466,341	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	746,817	502,791	466,341	627,756
Revenues Over (Under)				
Expenditures	11,482	10,510	6,700	71,509
<u>Other Financing Sources (Uses)</u>				
Bond issuance	-	-	-	-
Premium on bond issuance	-	-	-	-
Transfers in	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	11,482	10,510	6,700	71,509
Beginning fund balances	4,860	328	1	173,489
Ending Fund Balances	\$ 16,342	\$ 10,838	\$ 6,701	\$ 244,998

Special Revenue Funds			Capital Project Funds		
South Shore Harbour (SSH) Mud #3	South Shore Harbour (SSH) Mud #2	4B Industrial Development Maintenance	Technology Fund	Miscellaneous Capital Projects	Special Assessments
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
427	1,949	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
135	2,231	455	959	1,008	-
-	994,245	-	-	33,540	-
-	-	1,179,761	-	-	-
-	-	-	-	286,426	-
562	998,425	1,180,216	959	320,974	-
-	-	107,818	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	8,638	-
-	-	-	403,587	2,911,145	-
-	-	335,000	-	-	-
-	-	337,436	-	-	-
-	-	780,254	403,587	2,919,783	-
562	998,425	399,962	(402,628)	(2,598,809)	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,171,000	1,748,220	-
-	-	-	1,171,000	1,748,220	-
562	998,425	399,962	768,372	(850,589)	-
145,613	-	346,128	-	1,822,624	-
\$ 146,175	\$ 998,425	\$ 746,090	\$ 768,372	\$ 972,035	\$ -

CITY OF LEAGUE CITY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Page 4 of 4)
For the Year Ended September 30, 2012

Capital Project Funds				
	Certificates of Obligation 2003A	Certificates of Obligation 2006	Certificates of Obligation 2008	Certificates of Obligation 2009
Revenues				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Franchise fees	-	-	-	-
Other taxes	-	-	-	-
Special assessments	-	-	-	-
Fines and forfeitures	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	121	400	7,003	11,409
Intergovernmental	-	-	-	-
Contributions	-	-	-	-
Other revenue	-	-	-	-
Total Revenues	121	400	7,003	11,409
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Community services	-	-	-	-
Capital outlay	678,904	691,932	3,722,464	1,251,997
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	678,904	691,932	3,722,464	1,251,997
Revenues Over (Under)				
Expenditures	(678,783)	(691,532)	(3,715,461)	(1,240,588)
Other Financing Sources (Uses)				
Bond issuance	-	-	-	-
Premium on bond issuance	-	-	-	-
Transfers in	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(678,783)	(691,532)	(3,715,461)	(1,240,588)
Beginning fund balances	692,187	930,188	8,269,664	10,970,352
Ending Fund Balances	\$ 13,404	\$ 238,656	\$ 4,554,203	\$ 9,729,764

Capital Project Funds		
Certificates of Obligation 2011	Certificates of Obligation 2011 - 4B	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 5,194,624
-	-	198,795
-	-	351,001
-	-	2,916,579
-	-	1,558,649
-	-	-
5,793	3,785	63,353
-	-	1,916,130
-	-	1,179,761
-	-	544,048
<u>5,793</u>	<u>3,785</u>	<u>13,922,940</u>
-	-	963,251
-	-	2,004,165
-	-	9,674,939
-	-	840,728
6,166,906	7,664,630	23,491,565
-	-	8,030,000
-	-	1,080,816
<u>6,166,906</u>	<u>7,664,630</u>	<u>46,085,464</u>
<u>(6,161,113)</u>	<u>(7,660,845)</u>	<u>(32,162,524)</u>
-	-	6,075,000
-	-	445,373
-	-	<u>2,919,220</u>
-	-	<u>9,439,593</u>
(6,161,113)	(7,660,845)	(22,722,931)
<u>8,983,859</u>	<u>7,488,460</u>	<u>51,517,931</u>
<u>\$ 2,822,746</u>	<u>\$ (172,385)</u>	<u>\$ 28,795,000</u>

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE

For the Year Ended September 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Ad valorem taxes	\$ 11,544,800	\$ 11,544,800	\$ 11,519,203	\$ (25,597)
Other revenue	-	-	856,433	856,433
Investment earnings	23,500	23,500	188,285	164,785
Total Revenues	11,568,300	11,568,300	12,563,921	995,621
<u>Expenditures</u>				
General government	3,002,000	3,002,000	2,533,414	468,586
Principal	4,980,300	4,980,300	5,375,095	(394,795)
Interest and fiscal charges	3,003,400	3,003,400	3,226,491	(223,091)
Other debt service - advance refunding escrow			3,000,000	(3,000,000)
Total Expenditures	10,985,700	10,985,700	14,135,000	(3,149,300)
Revenues Over (Under) Expenditures	582,600	582,600	(1,571,079)	(2,153,679)
<u>Other Financing Sources (Uses)</u>				
Transfers in	150,000	150,000	3,500,000	3,350,000
Refunding bonds issued	-	-	13,760,000	13,760,000
Premium on refunding bonds	-	-	1,637,628	1,637,628
Payment to refunded bonds escrow agent	-	-	(15,178,720)	(15,178,720)
Total Other Financing Sources (Uses)	150,000	150,000	3,718,908	3,568,908
Net Change in Fund Balance	\$ 732,600	\$ 732,600	2,147,829	\$ 1,415,229
Beginning fund balance			2,733,382	
Ending Fund Balance			\$ 4,881,211	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - POLICE ACTIVITY
For the Year Ended September 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Fines and forfeitures	\$ 78,000	\$ 78,000	\$ 50,833	\$ (27,167)
Investment earnings	140	140	86	(54)
Other revenue	15,000	15,000	100	(14,900)
Total Revenues	<u>93,140</u>	<u>93,140</u>	<u>51,019</u>	<u>(42,121)</u>
<u>Expenditures</u>				
Public safety	<u>141,830</u>	<u>141,830</u>	<u>25,072</u>	<u>116,758</u>
Net Change in Fund Balance	<u>\$ (48,690)</u>	<u>\$ (48,690)</u>	<u>25,947</u>	<u>\$ 74,637</u>
Beginning fund balance			<u>116,539</u>	
Ending Fund Balance			<u>\$ 142,486</u>	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - MUNICIPAL COURT BUILDING SECURITY
For the Year Ended September 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Fines and forfeitures	\$ 40,000	\$ 40,000	\$ 33,819	\$ (6,181)
Investment earnings	400	400	124	(276)
Total Revenues	<u>40,400</u>	<u>40,400</u>	<u>33,943</u>	<u>(6,457)</u>
<u>Expenditures</u>				
Public safety	<u>120,046</u>	<u>120,046</u>	<u>107,806</u>	<u>12,240</u>
Net Change in Fund Balance	<u>\$ (79,646)</u>	<u>\$ (79,646)</u>	<u>(73,863)</u>	<u>\$ 5,783</u>
Beginning fund balance			<u>151,528</u>	
Ending Fund Balance			<u>\$ 77,665</u>	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - MUNICIPAL COURT TECHNOLOGY
For the Year Ended September 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive Negative
Revenues				
Fines and forfeitures	\$ 45,000	\$ 45,000	\$ 45,207	\$ 207
Investment earnings	40	40	19	(21)
Total Revenues	<u>45,040</u>	<u>45,040</u>	<u>45,226</u>	<u>186</u>
Expenditures				
Public safety	<u>41,000</u>	<u>69,000</u>	<u>66,350</u>	<u>2,650</u>
Net Change in Fund Balance	<u>\$ 4,040</u>	<u>\$ (23,960)</u>	<u>(21,124)</u>	<u>\$ 2,836</u>
Beginning fund balance			<u>35,126</u>	
Ending Fund Balance			<u>\$ 14,002</u>	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - LIBRARY GIFT
For the Year Ended September 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Investment earnings	\$ 50	\$ 50	\$ 33	\$ (17)
Other	3,000	3,000	85	(2,915)
Total Revenues	<u>3,050</u>	<u>3,050</u>	<u>118</u>	<u>(2,932)</u>
<u>Expenditures</u>				
Community services	<u>36,000</u>	<u>36,000</u>	<u>16,361</u>	<u>19,639</u>
Net Change in Fund Balance	<u>\$ (32,950)</u>	<u>\$ (32,950)</u>	(16,243)	<u>\$ 16,707</u>
Beginning fund balance			<u>39,449</u>	
Ending Fund Balance			<u>\$ 23,206</u>	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - HOTEL OCCUPANCY TAX
For the Year Ended September 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Other taxes	\$ 250,000	\$ 250,000	\$ 348,625	\$ 98,625
Investment earnings	400	400	487	87
Total Revenues	<u>250,400</u>	<u>250,400</u>	<u>349,112</u>	<u>98,712</u>
<u>Expenditures</u>				
Community services	<u>151,000</u>	<u>296,000</u>	<u>243,338</u>	<u>52,662</u>
Net Change in Fund Balance	<u>\$ 99,400</u>	<u>\$ (45,600)</u>	<u>105,774</u>	<u>\$ 151,374</u>
Beginning fund balance			<u>455,708</u>	
Ending Fund Balance			<u>\$ 561,482</u>	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - ESCROW PARK FACILITIES MAINTENANCE
For the Year Ended September 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Investment earnings	\$ -	\$ -	\$ 2,473	\$ 2,473
Intergovernmental	-	-	37,876	37,876
Other revenue	-	-	192,000	192,000
Total Revenues	-	-	232,349	232,349
<u>Expenditures</u>				
Community services	-	448,002	318,833	129,169
Net Change in Fund Balance	\$ -	\$ (448,002)	(86,484)	\$ 361,518
Beginning fund balance			2,311,632	
Ending Fund Balance			\$ 2,225,148	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - CITY SIDEWALK
For the Year Ended September 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Investment earnings	\$ 1,450	\$ 1,450	\$ 150	\$ (1,300)
Other revenue	5,000	5,000	6,325	1,325
Total Revenues	<u>6,450</u>	<u>6,450</u>	<u>6,475</u>	<u>25</u>
 Net Change in Fund Balance	 <u>\$ 6,450</u>	 <u>\$ 6,450</u>	 6,475	 <u>\$ 25</u>
 Beginning fund balance			<u>132,861</u>	
Ending Fund Balance			<u>\$ 139,336</u>	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - EMERGENCY MANAGEMENT RESPONSE
For the Year Ended September 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Investment earnings	\$ 400	\$ 400	\$ 203	\$ (197)
Total Revenues	<u>400</u>	<u>400</u>	<u>203</u>	<u>(197)</u>
<u>Expenditures</u>				
Public safety	<u>331,007</u>	<u>331,007</u>	<u>115,769</u>	<u>215,238</u>
Net Change in Fund Balance	<u>\$ (330,607)</u>	<u>\$ (330,607)</u>	<u>(115,566)</u>	<u>\$ 215,041</u>
Beginning fund balance			<u>335,506</u>	
Ending Fund Balance			<u>\$ 219,940</u>	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - BUTLER MUSEUM
For the Year Ended September 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Investment earnings	\$ -	\$ -	\$ 1	\$ 1
Total Revenues	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
<u>Expenditures</u>				
Community services	-	7,184	3,384	3,800
Revenues Over Expenditures	<u>-</u>	<u>(7,184)</u>	<u>(3,383)</u>	<u>3,801</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (7,184)</u>	<u>(3,383)</u>	<u>\$ 3,801</u>
Beginning fund balance			<u>3,383</u>	
Ending Fund Balance			<u>\$ -</u>	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - ANIMAL CONTROL
For the Year Ended September 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Investment earnings	\$ 50	\$ 50	\$ 35	\$ (15)
Other revenue	5,500	5,500	8,239	2,739
Total Revenues	<u>5,550</u>	<u>5,550</u>	<u>8,274</u>	<u>2,724</u>
<u>Expenditures</u>				
Public safety	40,000	40,000	36,041	3,959
Net Change in Fund Balance	<u>\$ (34,450)</u>	<u>\$ (34,450)</u>	(27,767)	<u>\$ 6,683</u>
Beginning fund balance			<u>66,352</u>	
Ending Fund Balance			<u>\$ 38,585</u>	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - CDBG
For the Year Ended September 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Intergovernmental	\$ 645,083	\$ 645,083	\$ 73,527	\$ (571,556)
Total Revenues	<u>645,083</u>	<u>645,083</u>	<u>73,527</u>	<u>(571,556)</u>
<u>Expenditures</u>				
Community services	-	645,083	73,527	571,556
Net Change in Fund Balance	<u>\$ 645,083</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Beginning fund balance			-	
Ending Fund Balance			<u>\$ -</u>	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - SAFELIGHT PROGRAM
For the Year Ended September 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Fines and forfeitures	\$ 1,488,000	\$ 1,488,000	\$ 1,428,790	\$ (59,210)
Investment earnings	700	700	564	(136)
Total Revenues	<u>1,488,700</u>	<u>1,488,700</u>	<u>1,429,354</u>	<u>(59,346)</u>
<u>Expenditures</u>				
Public safety	<u>1,404,145</u>	<u>1,912,760</u>	<u>1,653,127</u>	<u>259,633</u>
Net Change in Fund Balance	<u>\$ 84,555</u>	<u>\$ (424,060)</u>	<u>(223,773)</u>	<u>\$ 200,287</u>
Beginning fund balance			<u>432,048</u>	
Ending Fund Balance			<u>\$ 208,275</u>	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - PUBLIC ACCESS CHANNEL
For the Year Ended September 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Franchise fees	\$ 195,000	\$ 195,000	\$ 198,795	\$ 3,795
Investment earnings	300	300	471	171
Total Revenues	<u>195,300</u>	<u>195,300</u>	<u>199,266</u>	<u>3,966</u>
<u>Expenditures</u>				
Community services	<u>80,000</u>	<u>234,075</u>	<u>176,647</u>	<u>57,428</u>
Net Change in Fund Balance	<u>\$ 115,300</u>	<u>\$ (38,775)</u>	<u>22,619</u>	<u>\$ 61,394</u>
Beginning fund balance			<u>425,471</u>	
Ending Fund Balance			<u>\$ 448,090</u>	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - RIGHT OF WAY
For the Year Ended September 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Investment earnings	\$ -	\$ -	\$ 208	\$ 208
Other revenue	-	-	50,873	50,873
Total Revenues	<u>-</u>	<u>-</u>	<u>51,081</u>	<u>51,081</u>
<u>Expenditures</u>				
General government	-	150,000	150,000	-
Total Expenditures	<u>-</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (150,000)</u>	(98,919)	<u>\$ 51,081</u>
Beginning fund balance			<u>246,684</u>	
Ending Fund Balance			<u>\$ 147,765</u>	

CITY OF LEAGUE CITY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - 4B INDUSTRIAL DEVELOPMENT
For the Year Ended September 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Recreation program fees	\$ -	\$ 45,000	\$ -	\$ (45,000)
Investment earnings	30	30	455	425
Contributions	1,174,500	1,129,500	1,179,761	50,261
Total Revenues	1,174,500	1,174,530	1,180,216	5,686
<u>Expenditures</u>				
General government	105,000	203,900	107,818	96,082
Debt service:				
Principal	672,500	672,500	335,000	337,500
Interest	-	-	337,436	(337,436)
Total Expenditures	777,500	876,400	780,254	96,146
Net Change in Fund Balance	\$ 502,000	\$ 298,130	399,962	\$ 101,832
Beginning fund balance			346,128	
Ending Fund Balance			\$ 746,090	

STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and Required Supplementary Information says about the City's overall financial health.

Contents	Page
Financial Trends	138
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	148
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	
Debt Capacity	167
<i>These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	169
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	171
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	

CITY OF LEAGUE CITY, TEXAS

NET POSITION BY COMPONENT

Last Ten Years
(accrual basis of accounting)

	Year			
	2003	2004	2005	2006
Governmental Activities				
Net investment in capital assets	\$ 106,642,770	\$ 98,248,654	\$ 90,101,167	\$ 102,970,171
Restricted	2,924,944	2,433,271	2,377,634	3,207,987
Unrestricted	9,861,075	9,770,120	11,411,953	13,759,017
Total Governmental Activities Net Position	<u>\$ 119,428,789</u>	<u>\$ 110,452,045</u>	<u>\$ 103,890,754</u>	<u>\$ 119,937,175</u>
Business-Type Activities				
Net investment in capital assets	\$ 26,766,375	\$ 28,772,357	\$ 41,368,232	\$ 62,130,257
Restricted	7,743,316	8,705,633	1,220,920	367,685
Unrestricted	11,096,074	10,334,014	12,533,421	12,156,662
Total Business-Type Activities Net Position	<u>\$ 45,605,765</u>	<u>\$ 47,812,004</u>	<u>\$ 55,122,573</u>	<u>\$ 74,654,604</u>
Primary Government				
Net investment in capital assets	\$ 133,409,145	\$ 127,021,011	\$ 131,469,399	\$ 165,100,428
Restricted	10,668,260	11,138,904	3,598,554	3,575,672
Unrestricted	20,957,149	20,104,134	23,945,374	25,915,679
Total Primary Government Net Position	<u>\$ 165,034,554</u>	<u>\$ 158,264,049</u>	<u>\$ 159,013,327</u>	<u>\$ 194,591,779</u>

(1) Beginning net position for governmental activities for 2007 was restated as a result of a change in presentation of the City's component units from discrete to blended.

(2) Beginning net position for governmental activities for 2008 was restated as a result of a change in presentation of the Destination League City component unit from blended to discrete.

(3) Beginning fund balance for special revenue funds for 2009 has been restated for a change in presentation of the 4B Economic Development Corporation, the Economic Development Corporation, and the Volunteer Fire Department component units from blended to discrete.

Year					
2007 ⁽¹⁾	2008 ⁽²⁾	2009 ⁽³⁾	2010	2011	2012
\$ 120,115,018	\$ 139,477,734	\$ 143,105,466	\$ 138,986,054	\$ 146,115,632	\$ 144,981,676
12,563,358	10,044,998	9,818,516	10,682,272	11,179,254	9,997,109
14,116,519	19,688,847	21,894,650	20,751,435	21,639,912	19,353,911
<u>\$ 146,794,895</u>	<u>\$ 169,211,579</u>	<u>\$ 174,818,632</u>	<u>\$ 170,419,761</u>	<u>\$ 178,934,798</u>	<u>\$ 174,332,696</u>
\$ 64,010,135	\$ 107,478,172	\$ 114,059,051	\$ 114,732,724	\$ 107,392,808	\$ 129,683,003
651,361	455,062	1,860,132	1,983,542	6,907,413	5,767,327
33,582,396	8,265,057	15,442,653	24,171,358	39,807,796	23,530,610
<u>\$ 98,243,892</u>	<u>\$ 116,198,291</u>	<u>\$ 131,361,836</u>	<u>\$ 140,887,624</u>	<u>\$ 154,108,017</u>	<u>\$ 158,980,940</u>
\$ 184,125,153	\$ 246,955,906	\$ 257,164,517	\$ 253,718,778	\$ 253,508,440	\$ 274,664,679
13,214,719	10,500,060	11,678,648	12,665,814	18,086,667	15,764,436
47,698,915	27,953,904	37,337,303	44,922,793	61,447,708	42,884,521
<u>\$ 245,038,787</u>	<u>\$ 285,409,870</u>	<u>\$ 306,180,468</u>	<u>\$ 311,307,385</u>	<u>\$ 333,042,815</u>	<u>\$ 333,313,636</u>

CITY OF LEAGUE CITY, TEXAS

CHANGES IN NET POSITION

Last Ten Years

(accrual basis of accounting)

	Year			
	2003	2004	2005	2006
Expenses				
Governmental activities				
General government	\$ 7,647,414	\$ 7,842,146	\$ 9,929,099	\$ 10,653,854
Public safety	9,499,193	10,366,327	12,374,528	15,002,765
Public works	19,547,503	15,303,239	17,215,751	13,952,069
Community services	3,683,909	3,759,983	4,726,051	5,665,064
Interest and fiscal agent fees	1,500,713	1,908,206	2,203,677	1,968,922
Total Governmental Activities Expenses	<u>41,878,732</u>	<u>39,179,901</u>	<u>46,449,106</u>	<u>47,242,674</u>
Business-Type Activities				
Utilities	14,308,479	13,545,907	14,541,689	14,644,245
Total Business-Type Activities Expenses	<u>14,308,479</u>	<u>13,545,907</u>	<u>14,541,689</u>	<u>14,644,245</u>
Total Expenses	<u>\$ 56,187,211</u>	<u>\$ 52,725,808</u>	<u>\$ 60,990,795</u>	<u>\$ 61,886,919</u>
Program Revenues				
Governmental activities				
Charges for services				
General government	\$ 1,937,841	\$ 33,376	\$ 29,669	\$ 24,336
Public safety	1,184,556	1,580,698	1,757,121	1,888,852
Public works	1,884,102	4,123,813	4,618,669	4,850,922
Community services	522,935	609,940	622,078	602,954
Operating grants and contributions	1,465,603	475,210	1,215,328	1,622,948
Capital grants and contributions	-	1,209,402	19,849	18,746,413
Total Governmental Activities Program Revenues	<u>6,995,037</u>	<u>8,032,439</u>	<u>8,262,714</u>	<u>27,736,425</u>
Business-Type Activities				
Charges for services				
Utilities	15,613,173	16,370,309	18,525,851	19,493,923
Operating grants and contributions	-	-	-	45,000
Capital grants and contributions	234,021	50,961	4,353,738	14,313,418
Total Business-Type Activities Program Revenues	<u>15,847,194</u>	<u>16,421,270</u>	<u>22,879,589</u>	<u>33,852,341</u>
Total Program Revenues	<u>\$ 22,842,231</u>	<u>\$ 24,453,709</u>	<u>\$ 31,142,303</u>	<u>\$ 61,588,766</u>
Net (Expense)/Revenue				
Governmental activities	\$ (34,883,695)	\$ (31,147,462)	\$ (38,186,392)	\$ (19,506,249)
Business-type activities	1,538,715	2,875,363	8,337,900	19,208,096
Total Net Expense	<u>\$ (33,344,980)</u>	<u>\$ (28,272,099)</u>	<u>\$ (29,848,492)</u>	<u>\$ (298,153)</u>

Year					
2007	2008	2009	2010	2011	2012
\$ 13,037,659	\$ 15,841,598	\$ 16,355,732	\$ 13,532,893	\$ 12,458,678	\$ 14,240,323
14,326,938	15,614,443	16,643,840	21,024,434	22,078,186	20,758,655
24,153,330	21,712,338	21,768,197	30,791,382	25,107,956	36,394,958
5,620,482	6,461,008	6,871,519	6,855,694	4,243,548	6,872,442
2,559,712	2,546,158	2,823,301	3,500,914	3,868,803	4,541,184
59,698,121	62,175,545	64,462,589	75,705,317	67,757,171	82,807,562
14,674,801	15,816,557	18,815,486	20,288,172	21,348,356	23,938,119
14,674,801	15,816,557	18,815,486	20,288,172	21,348,356	23,938,119
\$ 74,372,922	\$ 77,992,102	\$ 83,278,075	\$ 95,993,489	\$ 89,105,527	\$ 106,745,681
\$ 2,006,502	\$ 985,022	\$ 1,564,845	\$ 3,425,079	\$ 3,397,307	\$ 3,294,614
730,290	730,290	730,290	730,290	-	-
7,461,978	7,997,532	7,186,901	7,565,705	4,659,274	5,041,613
530,187	345,820	884,338	1,266,482	4,342,373	4,635,264
764,091	3,090,510	4,888,926	2,283,291	4,933,663	4,281,645
24,761,544	21,942,670	6,710,627	3,062,763	5,154,406	3,750,170
36,254,592	35,091,844	21,965,927	18,333,610	22,487,023	21,003,306
18,964,428	23,209,601	27,278,933	25,731,620	30,646,567	27,596,741
-	105,075	150,107	131,943	-	-
18,666,045	12,064,459	7,029,886	4,671,105	4,410,184	4,000,723
37,630,473	35,379,135	34,458,926	30,534,668	35,056,751	31,597,464
\$ 73,885,065	\$ 70,470,979	\$ 56,424,853	\$ 48,868,278	\$ 57,543,774	\$ 52,600,770
\$ (23,443,529)	\$ (27,083,701)	\$ (42,496,662)	\$ (57,371,707)	\$ (45,270,148)	\$ (61,804,256)
22,955,672	19,562,578	15,643,440	10,246,496	13,708,395	7,659,345
\$ (487,857)	\$ (7,521,123)	\$ (26,853,222)	\$ (47,125,211)	\$ (31,561,753)	\$ (54,144,911)

CITY OF LEAGUE CITY, TEXAS

CHANGES IN NET POSITION (Continued)

Last Ten Years
(accrual basis of accounting)

	Year			
	2003	2004	2005	2006
General Revenues and Other Changes in Net Position				
Governmental activities				
Ad valorem taxes	\$ 16,216,829	\$ 18,173,498	\$ 20,269,723	\$ 23,161,785
Franchise	2,787,371	2,984,317	3,301,888	3,486,132
Sales	4,229,443	4,633,633	5,144,498	6,303,377
Investment earnings	474,557	509,070	842,941	1,301,752
Other revenues	7,998	734,538	190,043	105,634
Gain (loss) on sale of capital assets	(59,613)	-	-	-
Transfers	1,249,743	1,746,227	1,476,347	1,169,449
Total Governmental Activities	<u>24,906,328</u>	<u>28,781,283</u>	<u>31,225,440</u>	<u>35,528,129</u>
Business-type activities				
Investment earnings	519,996	310,942	848,677	1,493,383
Other revenues	871,646	2,101,036	-	-
Gain on sale of capital assets	-	-	-	-
Transfers	(1,249,743)	(1,746,227)	(1,476,347)	(1,169,449)
Total Business-Type Activities	<u>141,899</u>	<u>665,751</u>	<u>(627,670)</u>	<u>323,934</u>
Total Primary Government	<u>\$ 25,048,227</u>	<u>\$ 29,447,034</u>	<u>\$ 30,597,770</u>	<u>\$ 35,852,063</u>
Change in Net Position				
Governmental activities	\$ (9,977,367)	\$ (2,366,179)	\$ (6,960,952)	\$ 16,021,880
Business-type activities	1,680,614	3,541,114	7,710,230	19,532,030
Total Change in Net Position	<u>\$ (8,296,753)</u>	<u>\$ 1,174,935</u>	<u>\$ 749,278</u>	<u>\$ 35,553,910</u>

(1) Beginning net position for governmental activities for 2007 was restated as a result of a change in presentation of the City's component units from discrete to blended.

(2) Beginning net position for governmental activities for 2008 was restated as a result of a change in presentation of the Destination League City component unit from blended to discrete.

(3) Beginning fund balance for special revenue funds for 2009 has been restated for a change in presentation of the 4B Economic Development Corporation, the Economic Development Corporation, and the Volunteer Fire Department component units from blended to discrete.

Year					
2007 ⁽¹⁾	2008 ⁽²⁾	2009 ⁽³⁾	2010	2011	2012
\$ 29,212,712	\$ 29,800,358	\$ 34,255,809	\$ 36,162,871	\$ 36,285,502	\$ 36,513,595
7,980,512	4,463,564	4,613,734	4,831,866	4,927,378	5,187,232
4,033,855	10,171,516	10,938,166	10,359,528	11,167,925	12,283,836
2,032,052	1,364,833	406,217	192,401	146,199	291,101
1,827,752	793,599	716,331	473,164	572,180	1,635,709
(52,476)	-	30,410	-	-	-
1,278,164	3,353,160	1,000,000	953,006	686,001	2,240,000
<u>46,312,571</u>	<u>49,947,030</u>	<u>51,960,667</u>	<u>52,972,836</u>	<u>53,785,185</u>	<u>58,151,473</u>
1,867,641	1,742,300	516,379	214,491	196,367	357,077
-	-	-	17,807	1,632	-
44,139	2,681	3,726	-	-	636
(1,278,164)	(3,353,160)	(1,000,000)	(953,006)	(686,001)	(2,240,000)
<u>633,616</u>	<u>(1,608,179)</u>	<u>(479,895)</u>	<u>(720,708)</u>	<u>(488,002)</u>	<u>(1,882,287)</u>
<u>\$ 46,946,187</u>	<u>\$ 48,338,851</u>	<u>\$ 51,480,772</u>	<u>\$ 52,252,128</u>	<u>\$ 53,297,183</u>	<u>\$ 56,269,186</u>
\$ 22,869,042	\$ 22,863,329	\$ 9,464,005	\$ (4,398,871)	\$ 8,515,037	\$ (3,652,783)
23,589,288	17,954,399	15,163,545	9,525,788	13,220,393	5,777,058
<u>\$ 46,458,330</u>	<u>\$ 40,817,728</u>	<u>\$ 24,627,550</u>	<u>\$ 5,126,917</u>	<u>\$ 21,735,430</u>	<u>\$ 2,124,275</u>

CITY OF LEAGUE CITY, TEXAS

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years ⁽⁴⁾

(modified accrual basis of accounting)

	Year			
	2003	2004	2005	2006
General Fund				
Reserved	\$ 148,786	\$ 573,495	\$ 634,782	\$ 346,826
Unreserved	11,666,969	12,371,313	11,055,917	14,135,117
Nonspendable	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 11,815,755</u>	<u>\$ 12,944,808</u>	<u>\$ 11,690,699</u>	<u>\$ 14,481,943</u>
All Other Governmental Funds				
Reserved	\$ 1,542,196	\$ 1,143,803	\$ 637,068	\$ 942,172
Unreserved, reported in:				
Special revenue funds	853,133	1,274,232	1,762,444	2,241,932
Capital project funds	22,490,881	13,516,099	5,730,204	9,246,133
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total All Other Governmental Funds	<u>\$ 24,886,210</u>	<u>\$ 15,934,134</u>	<u>\$ 8,129,716</u>	<u>\$ 12,430,237</u>

(1) Beginning fund balance for special revenue funds for 2007 has been restated for a change in presentation of the City's component units from discrete to blended.

(2) Beginning fund balance for special revenue funds for 2008 has been restated for a change in presentation of the Destination League City component unit from blended to discrete.

(3) Beginning fund balance for special revenue funds for 2009 has been restated for a change in presentation of the 4B Economic Development Corporation, the Economic Development Corporation, and the Volunteer Fire Department component units from blended to discrete.

(4) GASB Statement No 54 requirement for statistical data is ten years with restroactive implementation encouraged. Only two fiscal years are available at this time. The City chose not to restate 2003 to 2010.

Year					
2007 ⁽¹⁾	2008 ⁽²⁾	2009 ⁽³⁾	2010	2011	2012
\$ 367,413	\$ 372,661	\$ 383,708	\$ 375,744	\$ -	\$ -
16,672,251	17,925,044	20,554,414	21,289,604	-	-
-	-	-	-	14,159	25,362
-	-	-	-	15,811,078	16,331,557
-	-	-	-	4,900,640	-
<u>\$ 17,039,664</u>	<u>\$ 18,297,705</u>	<u>\$ 20,938,122</u>	<u>\$ 21,665,348</u>	<u>\$ 20,725,877</u>	<u>\$ 16,356,919</u>
\$ 1,074,423	\$ 1,175,395	\$ 2,463,898	\$ 2,128,323	\$ -	\$ -
6,186,017	7,307,631	6,124,122	8,625,122	-	-
5,608,438	19,761,965	18,434,939	27,621,801	-	-
-	-	-	-	11,253,290	65,063,051
-	-	-	-	42,998,020	6,555,898
-	-	-	-	-	(224,122)
<u>\$ 12,868,878</u>	<u>\$ 28,244,991</u>	<u>\$ 27,022,959</u>	<u>\$ 38,375,246</u>	<u>\$ 54,251,310</u>	<u>\$ 71,394,827</u>

CITY OF LEAGUE CITY, TEXAS
CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS
 Last Ten Years
 (modified accrual basis of accounting)

	Year			
	2003	2004	2005	2006
Revenues				
Ad valorem taxes	\$ 17,002,192	\$ 18,384,555	\$ 20,246,369	\$ 23,124,758
Sales taxes	4,229,443	4,633,633	4,878,398	6,303,377
Franchise and local taxes	2,787,371	2,984,317	3,567,988	3,486,132
Licenses and permits	2,356,534	2,722,313	2,460,148	1,440,637
Fines and forfeitures	837,370	1,042,429	1,428,976	2,355,933
Charges for services	1,747,544	1,910,953	3,126,831	3,521,772
Intergovernmental	712,294	2,083,145	721,441	1,212,533
Investment earnings	458,875	500,216	833,275	1,279,331
Other revenues	1,380,482	996,818	635,951	654,930
Total Revenues	31,512,105	35,258,379	37,899,377	43,379,403
Expenditures				
General government	7,446,844	8,163,493	9,205,493	9,903,020
Public safety	8,998,563	9,433,903	11,336,910	12,318,494
Public works	7,738,927	7,462,520	8,906,921	8,825,789
Community services	3,373,144	4,527,100	3,715,646	3,726,145
Capital outlay	5,965,708	15,543,223	24,208,958	1,863,203
Debt service				
Principal	1,678,376	1,890,451	2,256,819	2,797,966
Interest	2,107,657	2,110,050	2,221,819	2,166,036
Other debt service - advance refunding escrow	-	-	-	-
Total Expenditures	37,309,219	49,130,740	61,852,566	41,600,653
Excess of Revenues Over (Under) Expenditures	(5,797,114)	(13,872,361)	(23,953,189)	1,778,750
Other Financing Sources (Uses)				
Issuance of debt	30,335,320	5,070,000	14,175,000	4,695,000
Premium on debt	-	-	-	-
Payment to escrow agent	(9,188,614)	-	-	-
Transfers in	1,743,750	2,368,363	3,898,519	4,190,163
Transfers out	(1,377,253)	(1,351,651)	(3,179,293)	(3,459,087)
Total Other Financing Sources	21,513,203	6,086,712	14,894,226	5,426,076
Net Change in Fund Balances	\$ 15,716,089	\$ (7,785,649)	\$ (9,058,963)	\$ 7,204,826
Debt service as a percentage of noncapital expenditures	10.39%	12.08%	11.91%	11.90%

(1) Beginning fund balance for special revenue funds for 2007 has been restated for a change in presentation of the City's component units from discrete to blended.

(2) Beginning fund balance for special revenue funds for 2008 has been restated for a change in presentation of the Destination League City component unit from blended to discrete.

(3) Beginning fund balance for special revenue funds for 2009 has been restated for a change in presentation of the 4B Economic Development Corporation, the Economic Development Corporation, and the Volunteer Fire Department component units from blended to discrete.

Year					
2007 ⁽¹⁾	2008 ⁽²⁾	2009 ⁽³⁾	2010	2011	2012
\$ 29,198,771	\$ 29,764,055	\$ 34,309,728	\$ 36,066,060	\$ 36,276,854	\$ 36,423,943
7,980,512	10,171,516	10,938,166	10,359,528	11,167,925	12,283,836
4,033,855	4,145,479	4,337,944	4,831,866	4,657,634	4,836,231
2,087,633	2,746,066	1,727,849	2,079,481	1,785,027	2,125,034
2,655,768	1,399,113	1,570,913	3,444,938	3,493,552	3,282,865
1,631,013	3,794,687	4,333,205	4,715,349	4,342,373	4,635,264
3,979,054	3,090,510	4,888,926	2,283,291	3,701,122	3,101,884
1,827,752	1,308,255	388,877	189,583	145,749	289,340
2,767,174	3,644,572	3,732,596	3,240,811	4,948,712	6,083,050
56,161,532	60,064,253	66,228,204	67,210,907	70,518,948	73,061,447
13,034,389	15,725,914	16,256,094	13,142,475	12,794,025	14,099,732
13,255,090	15,117,809	16,744,221	19,954,328	21,177,179	21,977,702
15,387,027	15,144,613	15,150,007	26,658,640	15,881,347	21,498,674
5,448,799	5,322,367	5,289,925	5,573,819	5,128,899	5,036,836
4,466,279	1,561,742	2,183,987	3,073,192	11,349,256	23,491,565
5,705,866	3,467,065	3,429,370	5,806,220	6,478,159	13,405,095
2,596,624	2,419,857	2,982,373	3,522,720	3,849,491	4,670,711
-	-	-	-	-	3,000,000
59,894,074	58,759,367	62,035,977	77,731,394	76,658,356	107,180,315
(3,732,542)	1,304,886	4,192,227	(10,520,487)	(6,139,408)	(34,118,868)
5,211,280	15,500,000	-	21,600,000	20,390,000	53,510,000
59,756	1,550	-	-	-	6,485,644
(5,190,272)	-	-	-	-	(15,178,720)
2,182,522	1,687,892	2,876,538	1,699,862	4,766,825	8,419,220
(1,757,396)	(1,413,529)	(1,876,538)	(699,862)	(4,080,824)	(6,342,720)
505,890	15,775,913	1,000,000	22,600,000	21,076,001	46,893,424
\$ (3,226,652)	\$ 17,080,799	\$ 5,192,227	\$ 12,079,513	\$ 14,936,593	\$ 12,774,556
12.49%	10.70%	10.83%	12.80%	15.81%	25.18%

CITY OF LEAGUE CITY, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Years

	Year			
	2003	2004	2005	2006
Residential Property	\$ 2,188,937,830	\$ 2,417,485,421	\$ 2,820,562,981	\$ 3,167,696,117
Commercial Property	382,911,120	372,405,530	416,878,980	426,147,790
Personal Property	167,827,892	179,980,282	181,691,376	189,632,613
Less: Tax Exempt Property	221,444,547	254,590,717	292,747,603	484,715,934
Total Assessed Value (1)	<u>\$ 2,518,232,295</u>	<u>\$ 2,715,280,516</u>	<u>\$ 3,126,385,734</u>	<u>\$ 3,298,760,586</u>
Total Direct Tax Rate	0.65000	0.64000	0.63000	0.62750

Source: Tax department of the City.

(1) All property is assessed at 100% of actual taxable value.

Year					
2007	2008	2009	2010	2011	2012
\$ 3,670,578,501	\$ 4,128,863,226	\$ 4,540,062,529	\$ 4,828,893,836	\$ 4,917,368,181	\$ 5,004,027,336
580,429,070	621,277,682	723,844,486	765,177,479	734,054,058	703,662,114
215,589,072	236,407,969	282,117,311	311,130,485	287,039,236	283,385,238
532,254,310	327,004,477	359,984,398	364,585,279	443,917,749	442,346,403
<u>\$ 3,934,342,333</u>	<u>\$ 4,659,544,400</u>	<u>\$ 5,186,039,928</u>	<u>\$ 5,540,616,521</u>	<u>\$ 5,494,543,726</u>	<u>\$ 5,548,728,285</u>
0.60880	0.60880	0.63000	0.63000	0.61600	0.61000

CITY OF LEAGUE CITY, TEXAS
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
 Last Ten Years

City of League City:	Year			
	2003	2004	2005	2006
Operating tax rate	\$ 0.421500	\$ 0.428800	\$ 0.429400	\$ 0.391900
Debt service tax rate	0.228500	0.211200	0.200600	0.235600
Total Direct Rates	\$ 0.650000	\$ 0.640000	\$ 0.630000	\$ 0.627500
Clear Creek Independent School District	\$ 1.740000	\$ 1.730000	\$ 1.745000	\$ 1.775000
College of the Mainland, Jr. College District	0.231087	0.263060	0.245250	0.243020
Dickinson Independent School District	1.764000	1.743000	1.738000	1.751000
Santa Fe Independent School District	1.570000	1.570000	1.570000	1.570000
Galveston County (includes Road & Flood)	0.606300	0.640000	0.638750	0.628750
Galveston Co. Mun. Utility District No. 2	0.430000	0.390000	0.365000	0.300000
Galveston Co. Mun. Utility District No. 3	0.390000	0.320000	0.250000	0.210000
Galveston Co. Mun. Utility District No. 6	0.700000	0.700000	0.700000	0.640000
Galveston Co. Mun. Utility District No. 13	0.915000	0.860000	0.760000	0.710000
Galveston Co. Mun. Utility District No. 14	1.000000	0.970000	0.920000	0.900000
Galveston Co. Mun. Utility District No. 15	0.870000	0.860000	0.830000	0.825000
Tara Glen Mun. Utility District	0.725000	0.070000	0.700000	0.670000
Bay Colony West Mun. Utility District			1.000000	1.000000
Galveston Co. Mun. Utility District No. 39	0.900000	0.900000	0.900000	0.900000
Galveston Co. Mun. Utility District No. 43			1.000000	1.000000
Galveston Co. Mun. Utility District No. 44				
Galveston Co. Mun. Utility District No. 45				1.000000
Galveston Co. Mun. Utility District No. 46				
South Shore Harbour Mun. Utility District No. 2	0.570000	0.520000	0.450000	0.340000
South Shore Harbour Mun. Utility District No. 3	0.300000	0.240000	0.220000	0.200000
South Shore Harbour Mun. Utility District No. 6	0.380000	0.350000	0.310000	0.310000
South Shore Harbour Mun. Utility District No. 7	0.500000	1.000000	1.000000	0.950000
Total Direct and Overlapping Rates (1)	\$ 14.241387	\$ 13.766060	\$ 15.972000	\$ 16.550270

Note: The basis for property tax rates is per \$100 of the assessed valuation.

Source: Tax department records of the various governments.

Year						
2007	2008	2009	2010	2011	2012	
\$ 0.386514	\$ 0.404000	\$ 0.413932	\$ 0.408871	\$ 0.396729	\$ 0.385001	
0.222286	0.204800	0.216068	0.221129	0.219271	0.224999	
\$ 0.608800	\$ 0.608800	\$ 0.630000	\$ 0.630000	\$ 0.616000	\$ 0.610000	
\$ 1.630000	\$ 1.320000	\$ 1.360000	\$ 1.360000	\$ 1.360000	\$ 1.360000	
0.233450	0.227380	0.221640	0.221640	0.233890	0.232020	
1.724000	1.430000	1.500000	1.504000	1.540000	1.540000	
1.445000	1.160000	1.160000	1.330200	1.419200	1.495000	
0.598750	0.580000	0.570000	0.630000	0.628750	0.621350	
0.260000	0.250000	0.240000	0.240000	0.240000	0.260000	
0.160000	0.140000	0.130000	0.120000	0.120000	0.120000	
0.480000	0.440000	0.440000	0.400000	0.400000	0.422000	
0.630000	0.610000	0.585000	0.560000	0.550000	0.540000	
0.880000	0.880000	0.870000	0.870000	0.860000	0.860000	
0.825000	0.825000	0.795000	0.790000	0.790000	0.790000	
0.670000	0.670000	0.670000	0.670000	0.670000	0.670000	
1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	
0.900000	0.900000	0.900000	0.900000	0.900000	0.900000	
1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	
1.000000	0.800000	0.800000	0.800000	0.800000	0.800000	
1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	
1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	
0.290000	0.290000	0.240000	0.220000	0.170000	-	
0.180000	0.170000	0.160000	0.160000	-	-	
0.300000	0.300000	0.290000	0.290000	0.290000	0.290000	
0.820000	0.800000	0.750000	0.700000	0.650000	0.600000	
\$ 17.635000	\$ 16.401180	\$ 16.311640	\$ 16.395840	\$ 16.237840	\$ 16.110370	

CITY OF LEAGUE CITY, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Property Taxpayer	2012			2003		
	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation
A-S 85 Victory Lakes	\$ 28,977,180	1	0.52%			
American National Insurance Co.	26,495,210	2	0.48%	\$ 13,699,370	5	0.54%
Texas-New Mexico Power Co	24,316,400	3	0.44%	20,674,750	3	0.82%
League City Towne Center LTD	19,675,650	4	0.35%			
Haven at South Shore LP	18,725,440	5	0.34%			
Sunstone Broadstone LP	18,021,450	6	0.32%			
GS Beacon Lakes LP	17,473,600	7	0.31%			
GTE Southwest Inc	16,940,760	8	0.31%			
MF/WM Tuscan Land LTD	16,404,660	9	0.30%			
Target Corporation	15,274,462	10	0.28%			
South Shore Harbour Development				34,656,800	1	1.38%
Spanos Corporation				24,504,360	2	0.97%
Verizon Southwest				17,979,500	4	0.71%
SDGA Investments, Inc				13,287,920	6	0.53%
South Shore Lakes LTD				11,560,010	7	0.46%
Clear Lake Partners				11,534,390	8	0.46%
Palm Investors, LP				10,386,120	9	0.41%
Drever Morrings, LP				10,114,310	10	0.40%
Subtotal	\$ 202,304,812		3.65%	\$ 168,397,530		6.69%
Other Taxpayers	5,346,423,473		96.35%	2,349,834,765		93.31%
Total ⁽¹⁾	\$ 5,548,728,285		100.00%	\$ 2,518,232,295		100.00%

Source: Tax department records of the City.

(1) Net of exemptions and abatements

CITY OF LEAGUE CITY, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Years

Fiscal Year	Tax Year	Tax Rate	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy	
				Amount Collected	Percentage of Levy
2003	2002	\$ 0.650000	\$ 17,021,332	16,765,294	98.50%
2004	2003	\$ 0.640000	\$ 18,925,928	18,510,765	97.81%
2005	2004	\$ 0.630000	\$ 20,703,814	20,338,727	98.24%
2006	2005	\$ 0.627500	\$ 23,402,712	23,019,283	98.36%
2007	2006	\$ 0.608800	\$ 25,670,846	25,256,206	98.38%
2008	2007	\$ 0.608800	\$ 26,918,178	26,441,828	98.23%
2009	2008	\$ 0.630000	\$ 30,867,178	30,476,981	98.74%
2010	2009	\$ 0.630000	\$ 32,875,370	32,560,792	99.04%
2011	2010	\$ 0.616000	\$ 32,814,072	32,527,089	99.13%
2012	2011	\$ 0.610000	\$ 33,300,629	32,955,026	98.96%

Source: Tax Department records of the City

Collected in Subsequent Years		Total Collections to Date	
Amount Collected		Amount Collected	Percentage of Levy
\$	233,262	\$ 16,998,556	99.87%
\$	374,804	\$ 18,885,569	99.79%
\$	321,640	\$ 20,660,367	99.79%
\$	338,798	\$ 23,358,081	99.81%
\$	356,523	\$ 25,612,729	99.77%
\$	410,868	\$ 26,852,696	99.76%
\$	331,124	\$ 30,808,105	99.81%
\$	243,166	\$ 32,803,958	99.78%
\$	175,627	\$ 32,527,089	99.13%
\$	N/A	\$ 32,955,026	98.96%

CITY OF LEAGUE CITY, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Years

	Year			
	2003	2004	2005	2006
Governmental Activities:				
General obligation bonds	\$ 20,796,089	\$ 19,094,836	\$ 17,462,650	\$ 16,315,283
Certificates of obligation	24,973,242	29,344,644	42,494,787	45,368,673
Subtotal	<u>45,769,331</u>	<u>48,439,480</u>	<u>59,957,437</u>	<u>61,683,956</u>
Business-Type Activities:				
General obligation bonds	24,018,913	23,350,166	22,417,350	20,359,717
Certificates of obligation	7,641,759	7,225,356	6,795,213	6,351,328
Revenue bonds	8,725,000	14,105,000	25,835,000	24,550,000
Contract revenue bonds	14,265,298	6,950,985	6,329,971	5,700,000
Subtotal	<u>54,650,970</u>	<u>51,631,507</u>	<u>61,377,534</u>	<u>56,961,045</u>
Government-Wide:				
General obligation bonds	44,815,002	42,445,002	39,880,000	36,675,000
Certificates of obligation	32,615,001	36,570,000	49,290,000	51,720,001
Revenue bonds	8,725,000	14,105,000	25,835,000	24,550,000
Contract revenue bonds	14,265,298	6,950,985	6,329,971	5,700,000
Total Government-Wide	<u>\$ 100,420,301</u>	<u>\$ 100,070,987</u>	<u>\$ 121,334,971</u>	<u>\$ 118,645,001</u>
Estimated Full Property Value	\$ 2,518,232,295	\$ 2,715,280,516	\$ 3,126,385,734	\$ 3,298,760,586
Percentage of Full Property Value:				
Governmental activities	1.82%	1.78%	1.92%	1.87%
Business-type activities	2.17%	1.90%	1.96%	1.73%
Government-wide	3.99%	3.69%	3.88%	3.60%
Population	58,000	62,300	67,300	72,000
Debt Per Capita:				
Governmental activities	\$ 789	\$ 778	\$ 891	\$ 857
Business-type activities	\$ 942	\$ 829	\$ 912	\$ 791
Government-wide	\$ 1,731	\$ 1,606	\$ 1,803	\$ 1,648

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

Year					
2007	2008	2009	2010	2011	2012
\$ 16,580,901	\$ 15,014,339	\$ 13,189,971	\$ 11,163,750	\$ 9,660,590	\$ 27,150,497
41,635,504	55,235,000	53,630,000	71,450,000	87,550,000	96,160,000
58,216,405	70,249,339	66,819,971	82,613,750	97,210,590	123,310,497
23,564,099	20,745,660	17,405,030	13,721,250	9,924,409	17,159,503
739,496	207,000	-	-	-	51,925,000
23,240,000	48,685,000	84,540,000	83,175,000	94,835,000	81,400,000
5,170,000	4,615,000	4,040,000	3,440,000	2,720,000	2,055,000
52,713,595	74,252,660	105,985,030	100,336,250	107,479,409	152,539,503
40,145,000	35,759,999	30,595,001	24,885,000	19,584,999	44,310,000
42,375,000	55,442,000	53,630,000	71,450,000	87,550,000	148,085,000
23,240,000	48,685,000	84,540,000	83,175,000	94,835,000	81,400,000
5,170,000	4,615,000	4,040,000	3,440,000	2,720,000	2,055,000
\$ 110,930,000	\$ 144,501,999	\$ 172,805,001	\$ 182,950,000	\$ 204,689,999	\$ 275,850,000
\$ 3,934,342,333	\$ 4,659,544,400	\$ 5,186,039,928	\$ 5,540,616,521	\$ 5,494,543,726	\$ 5,548,728,285
1.48%	1.51%	1.29%	1.49%	1.77%	2.22%
1.34%	1.59%	2.04%	1.81%	1.96%	2.75%
2.82%	3.10%	3.33%	3.30%	3.73%	4.97%
76,700	79,300	81,300	83,560	85,300	87,400
\$ 759	\$ 886	\$ 822	\$ 989	\$ 1,140	\$ 1,411
\$ 687	\$ 936	\$ 1,304	\$ 1,201	\$ 1,260	\$ 1,745
\$ 1,446	\$ 1,822	\$ 2,126	\$ 2,189	\$ 2,400	\$ 3,156

CITY OF LEAGUE CITY, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Years

		Year			
		2003	2004	2005	2006
Estimated Actual Taxable Value of Property		\$ 2,518,232,295	\$ 2,715,280,516	\$ 3,126,385,734	\$ 3,298,760,586
General obligation bonds		\$ 20,796,089	\$ 19,094,836	\$ 17,462,650	\$ 16,315,283
Certificates of obligation		24,973,242	29,344,644	42,494,787	45,368,673
Less: amounts available in debt service fund		1,542,196	1,143,803	637,068	942,172
Total		<u><u>\$ 44,227,135</u></u>	<u><u>\$ 47,295,677</u></u>	<u><u>\$ 59,320,369</u></u>	<u><u>\$ 60,741,784</u></u>
Percentage of Estimated Actual Taxable Value of Property		1.76%	1.74%	1.90%	1.84%
Population		58,000	62,300	67,300	72,000
Per Capita		\$ 763	\$ 759	\$ 881	\$ 844

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial statements.

Year					
2007	2008	2009	2010	2011	2012
\$ 3,934,342,333	\$ 4,659,544,400	\$ 5,186,039,928	\$ 5,540,616,521	\$ 5,494,543,726	\$ 5,548,728,285
\$ 16,580,901	\$ 15,014,339	\$ 13,189,969	\$ 11,163,750	\$ 9,660,590	\$ 27,150,497
41,635,504	55,235,000	53,630,000	71,450,000	87,550,000	96,160,000
1,074,250	1,175,395	2,463,899	2,128,323	2,733,382	4,881,211
<u>\$ 57,142,155</u>	<u>\$ 69,073,944</u>	<u>\$ 64,356,070</u>	<u>\$ 80,485,427</u>	<u>\$ 94,477,208</u>	<u>\$ 118,429,286</u>
1.45%	1.48%	1.24%	1.45%	1.72%	2.13%
76,700	79,300	81,300	83,560	85,300	87,400
\$ 745	\$ 871	\$ 792	\$ 963	\$ 1,108	\$ 1,355

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CITY OF LEAGUE CITY, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
September 30, 2012

Government Unit	Debt Outstanding	Estimated Percentage Applicable*	Amount Applicable to Primary Government
Clear Creek ISD	\$ 624,970,000	29.44%	\$ 183,991,168
Dickinson ISD	\$ 226,737,560	26.30%	\$ 59,631,978
Galveston County	\$ 319,793,434	23.16%	\$ 74,064,159
Galveston Co. Mun. Utility District No. 2	\$ 1,870,000	100.00%	\$ 1,870,000
Galveston Co. Mun. Utility District No. 3	\$ 2,900,000	100.00%	\$ 2,900,000
Galveston Co. Mun. Utility District No. 6	\$ 16,760,000	100.00%	\$ 16,760,000
Galveston Co. Mun. Utility District No. 13	\$ 5,045,000	100.00%	\$ 5,045,000
Galveston Co. Mun. Utility District No. 14	\$ 13,300,000	100.00%	\$ 13,300,000
Galveston Co. Mun. Utility District No. 15	\$ 11,945,000	100.00%	\$ 11,945,000
Galveston Co. Mun. Utility District No. 39	\$ 20,910,000	100.00%	\$ 20,910,000
Galveston Co. Mun. Utility District No. 43	\$ 23,555,000	100.00%	\$ 23,555,000
Galveston Co. Mun. Utility District No. 44	\$ 6,920,000	100.00%	\$ 6,920,000
Galveston Co. Mun. Utility District No. 46	\$ 16,895,000	100.00%	\$ 16,895,000
Bay Colony West Mun. Utility District	\$ 9,250,000	100.00%	\$ 9,250,000
Tara Glen Mun. Utility District	\$ 2,835,000	100.00%	\$ 2,835,000
South Shore Harbour Mun. Utility District No. 6	\$ 2,460,000	100.00%	\$ 2,460,000
South Shore Harbour Mun. Utility District No. 7	\$ 20,460,000	100.00%	\$ 20,460,000
Santa Fe ISD	\$ 75,670,000	2.39%	\$ 1,808,513
Harris County	\$ 2,345,417,190	0.03%	\$ 703,625
Harris County Department of Education	\$ 7,795,000	0.03%	\$ 2,339
Harris County Flood Control District	\$ 96,470,000	0.03%	\$ 28,941
Port of Houston Authority	\$ 731,969,397	0.03%	\$ 219,591
Subtotal, overlapping debt			\$ 475,555,314
City Direct Debt		100.000%	\$ 123,310,497
Total Direct and Overlapping Debt			\$ 598,865,811
Population			87,400
Overlapping Debt Per Capita			\$ 5,441
Direct and Overlapping Debt Per Capita			\$ 6,852

Source: Tax department records of the various governments.

* The "Estimated Percentage Overlapping" is determined by dividing the City's certified taxable value within the taxing jurisdiction by the certified taxable value of the taxing jurisdiction.

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire burden borne by the property taxpayers should be taken into account.

CITY OF LEAGUE CITY, TEXAS

LEGAL DEBT MARGIN INFORMATION

September 30, 2012

Debt Margin Calculation for Fiscal Year 2012

Assessed Value	\$ 5,548,728,285
Debt Limit (10% of assessed value)	554,872,829
Debt Applicable to debt limit	
General Obligation Debt	123,310,497
Less: amount set aside for repayment of general obligation debt	(4,881,221)
Total net debt applicable to limit	118,429,276
Legal Debt margin	\$ 436,443,553

Last Ten Fiscal Years

Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2012	\$ 554,872,829	\$ 118,429,286	\$ 436,443,543	21.34%
2011	\$ 549,454,373	\$ 94,477,208	\$ 454,977,165	17.19%
2010	\$ 554,061,652	\$ 80,485,427	\$ 473,576,225	14.53%
2009	\$ 518,603,993	\$ 64,356,070	\$ 454,247,923	12.41%
2008	\$ 465,954,440	\$ 69,073,944	\$ 396,880,496	14.82%
2007	\$ 393,434,233	\$ 57,142,155	\$ 336,292,078	14.52%
2006	\$ 329,876,059	\$ 60,741,784	\$ 269,134,275	18.41%
2005	\$ 312,638,573	\$ 59,320,369	\$ 253,318,204	18.97%
2004	\$ 271,528,052	\$ 47,295,677	\$ 224,232,375	17.42%
2003	\$ 251,823,230	\$ 44,227,135	\$ 207,596,095	17.56%

Note: There is no debt limit established by law; therefore, the limit is governed by the City's ability to levy and collect taxes to service the debt. The Attorney General of the State of Texas will not approve more than \$1.00 of the tax rate for debt service. The City's maximum legal tax rate is \$2.50 per \$100 valuation assessed at 100% of the market value. Ten percent (10%) of the assessed value has been applied as a "rule of thumb" procedure.

CITY OF LEAGUE CITY, TEXAS

PLEDGED-REVENUE COVERAGE

Last Ten Years

	Year			
	2003	2004	2005	2006
Gross Revenues (1)	\$ 16,125,929	\$ 16,696,689	\$ 19,374,530	\$ 20,987,306
Operating Expenses (2)	\$ 10,766,072	\$ 10,151,705	\$ 10,569,401	\$ 11,765,081
Net Revenues Available for Debt Service	\$ 5,359,857	\$ 6,544,984	\$ 8,805,129	\$ 9,222,225
Debt Service Requirements (3)				
Principal	\$ 1,310,000	\$ 1,330,000	\$ 1,235,000	\$ 1,250,000
Interest	797,468	1,066,870	739,526	685,519
Total	<u>\$ 2,107,468</u>	<u>\$ 2,396,870</u>	<u>\$ 1,974,526</u>	<u>\$ 1,935,519</u>
Coverage	2.54	2.73	4.46	4.76

(1) Gross revenues as defined in the revenue bond ordinances, includes operating and non-operating revenue and excludes capital contributions, grant revenues, and capital recovery fees.

(2) Total operating expenses, as defined in the revenue bond ordinances, do not include amortization, bond interest, and fiscal charges.

(3) Debt service requirements are based on the expected debt service payments for the following fiscal year.

Year					
2007	2008	2009	2010	2011	2012
\$ 20,876,208	\$ 25,059,656	\$ 27,799,038	\$ 25,963,918	\$ 30,844,566	\$ 27,954,456
\$ 12,380,882	\$ 12,717,300	\$ 14,593,413	\$ 15,780,459	\$ 16,782,412	\$ 18,023,394
\$ 8,495,326	\$ 12,342,356	\$ 13,205,625	\$ 10,183,459	\$ 14,062,154	\$ 9,931,062
\$ 1,330,000	\$ 1,345,000	\$ 1,365,000	\$ 1,380,000	\$ 1,960,000	\$ 3,190,000
950,533	894,119	3,741,435	3,549,816	3,998,470	3,400,845
<u>\$ 2,280,533</u>	<u>\$ 2,239,119</u>	<u>\$ 5,106,435</u>	<u>\$ 4,929,816</u>	<u>\$ 5,958,470</u>	<u>\$ 6,590,845</u>
3.73	5.51	2.59	2.07	2.36	1.51

CITY OF LEAGUE CITY, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Years

Fiscal Year Ended Sept. 30	Population ⁽¹⁾	Personal Income ⁽²⁾	Per Capita Personal Income ⁽²⁾	Median Age ⁽²⁾	Public School Enrollment ⁽³⁾	Unemployment Rate ⁽⁴⁾	Education Level in Years of Formal Schooling ⁽⁵⁾
2003	58,000	\$ 1,352,560	\$ 23,320	33.7	10,582	8.2%	24%
2004	62,300	\$ 1,930,926	\$ 30,994	34.9	11,102	7.7%	36%
2005	67,300	\$ 2,139,602	\$ 31,792	35.4	11,883	5.8%	36%
2006	72,000	\$ 2,333,520	\$ 32,410	35.5	12,034	5.1%	36%
2007	76,700	\$ 2,462,530	\$ 32,106	35.7	12,906	4.5%	36%
2008	79,300	\$ 2,630,619	\$ 33,173	35.7	13,855	4.1%	36%
2009	81,300	\$ 2,731,274	\$ 33,595	35.8	14,332	6.1%	35%
2010	83,560	\$ 2,957,021	\$ 35,388	35.6	13,686	7.4%	38%
2011	85,300	\$ 2,707,251	\$ 31,738	34.8	13,774	7.9%	38%
2012	87,400	\$ 2,816,989	\$ 32,231	34.7	14,279	5.9%	38%

Data sources:

- (1) City of League City Planning Department
- (2) CDS Market Research/Claritas Survey/ESRI Data Source
- (3) Clear Creek ISD
- (4) Texas Workforce Commission
- (5) Percent of population with Bachelor's degree or higher

Note: Personal income is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the start of the school year.

Information not presented is not available.

CITY OF LEAGUE CITY, TEXAS

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2012			2003		
	Employees	Percent of Total Employment ⁽¹⁾	Rank	Employees	Percent of Total Employment ⁽¹⁾	Rank
Clear Creek Independent School District	5,680	12.10%	1	3,688	7.86%	1
American National Insurance	750	1.60%	2	290	0.62%	3
City of League City	532	1.13%	3	394	0.84%	2
Walmart	398	0.85%	4	N/A	N/A	9
Krogers	333	0.71%	5	150	0.32%	5
H.E.B	280	0.60%	6	65	0.14%	8
Devereaux Texas Treatment Network	273	0.58%	7	250	0.53%	4
Harborview Care Center	175	0.37%	8	150	0.32%	6
Randall's	92	0.20%	9	78	0.17%	7
	<u>8,513</u>	<u>18.13%</u>		<u>5,065</u>	<u>10.79%</u>	

(1) Percent of total employment is based on total employment of 46,948.

Source: Human Resource Department of each company

CITY OF LEAGUE CITY, TEXAS
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
 Last Ten Years

	Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>Governmental Activities:</u>										
General government	45.75	47	49	49	53	63	62	86	75.25	71
Public safety	135	142.5	153	155.25	163.25	176.25	180.75	192	193.5	203.5
Public works	82.5	82.5	88	90	87	100	100.5	82	93.5	105
Community service	56	56.5	57.5	59.5	76	83	80.5	71.5	70.5	76.75
<u>Business-Type Activities:</u>										
Utilities	75	76	76	77	85	86	87	88	92.75	89
Total City Positions	<u>394.25</u>	<u>404.50</u>	<u>423.50</u>	<u>430.75</u>	<u>464.25</u>	<u>508.25</u>	<u>510.75</u>	<u>519.50</u>	<u>525.50</u>	<u>545.25</u>

Source: City Finance Department

CITY OF LEAGUE CITY, TEXAS

OPERATING INDICATORS BY FUNCTION

Last Ten Years

	Year			
	2003	2004	2005	2006
City of League City				
Population	58,000	62,300	67,300	72,000
Square miles	53	53	53	53
Budgeted full time employees	394	410	424	436
Function				
Police				
Arrests	2,670	2,406	2,495	2,356
Calls for service	44,238	24,508	31,250	46,427
Municipal court				
Traffic violations	7,843	11,699	13,418	12,155
Non-traffic violations	3,450	3,603	3,459	2,925
Fire				
Calls answered	705	773	891	868
Inspections	1999	1874	2214	2215
Parks and recreation				
Recreation programs (\$)	\$ 172,769	\$ 169,152	\$ 166,149	\$ 189,740
Field and facility rentals (\$)	\$ 140,410	\$ 166,686	\$ 159,059	\$ 115,710
Community Development				
Residential building permits issued	1,482	1,516	1,249	1,580
Residential building permits issued-\$ value	\$ 217,110,980	\$ 236,092,416	\$ 225,268,358	\$ 266,426,720
Commercial building permits issued	30	39	69	47
Commercial building permits issued-\$ value	\$ 20,922,190	\$ 82,391,607	\$ 61,541,607	\$ 36,033,628
Water				
Average daily gallons pumped-combined water (millions of gallons)	5.50	6.00	7.30	7.70
Average daily gallons pumped-surface water (millions of gallons)	5.50	6.00	7.20	7.60
Average daily gallons pumped-well water (millions of gallons)	0.40	0.54	0.47	0.70
Number of connections	18,850	20,478	21,459	23,043
Wastewater				
Average daily effluent treated (millions of gallons)	5.50	5.79	6.17	6.50
Number of connections	18,044	19,492	20,328	21,838

Source: Various City departments

Year					
2007	2008	2009	2010	2011	2012
76,700	79,300	81,300	83,560	85,300	87,400
53	53	53	53	53	53
464	508	510	520	525	545
2,678	2,325	3,055	3,333	3,349	3,018
60,370	33,225	37,444	35,616	36,775	36,596
14,649	11,506	11,433	16,879	15,337	13,293
2,908	2,383	2,441	2,529	2,176	2,127
843	1,016	993	920	935	986
1945	2,072	2,376	2,038	3,489	2,292
\$ 198,794	\$ 327,155	\$ 409,738	\$ 398,404	\$ 442,314	\$ 428,754
\$ 103,076	\$ 105,602	\$ 104,906	\$ 91,566	\$ 80,093	\$ 102,976
1,549	880	712	793	662	681
\$ 256,555,787	\$ 152,247,419	\$ 117,751,909	\$ 145,502,081	\$ 129,701,416	\$ 135,708,582
79	66	27	13	9	22
\$ 78,638,198	\$ 191,206,441	\$ 39,936,940	\$ 11,486,880	\$ 15,256,600	\$ 22,958,177
7.60	9.00	10.00	9.23	10.58	9.97
6.34	9.00	9.00	9.16	10.40	9.90
0.90	0.34	0.18	0.71	0.2	0.59
24,628	25,762	26,368	27,092	27,669	28,554
7.20	6.78	6.82	7.20	6.08	7.30
23,485	24,490	25,118	25,508	26,554	27,258

CITY OF LEAGUE CITY, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Years

Function	Year			
	2003	2004	2005	2006
General government				
Municipal buildings	32	32	36	36
City vehicles	216	227	246	232
Public safety				
Police protection				
Stations	1	1	1	1
Fire protection				
Stations/drill field	4	4	6	6
Fire apparatus	9	11	11	12
Public works				
Streets (lane miles)	296	307	312	316
Community services				
Parks	8	8	8	8
Ball fields	25	25	25	25
Swimming pools	1	1	1	1
Pavilions	8	8	8	8
Park acreage developed	166	166	189	189
Water				
Water wells	5	4	4	4
Ground/elevated storage tanks	15	15	17	17
Water mains (miles)	300	317	340	354
Fire hydrants	2,161	2,345	2,575	2,714
Wastewater				
Wastewater treatment plants	2	2	2	2
Sanitary sewers (miles)	218	233	251	262
Sewer manholes	5,654	6,124	6,665	6,969

Source: Various City departments

Year					
2007	2008	2009	2010	2011	2012
36	36	36	36	36	36
252	259	265	278	291	292
1	1	1	1	1	1
6	6	6	6	6	6
10	20	21	21	23	24
320	324	337	341	342	368
10	12	12	12	12	14
29	33	33	32	32	37
1	1	1	1	1	1
8	7	7	7	7	7
199	347	347	347	347	392
4	4	4	4	5	5
16	16	16	15	14	15
368	376	388	391	415	416
2,841	2,929	3,043	3,178	3,329	3,377
2	2	2	2	2	3
272	279	281.7	294.9	301	305
7,272	7,272	7,272	7,851	7,950	8,259

